OakNorth Bank

Annual Report 2020

Lending for Entrepreneurs, by Entrepreneurs

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Our Story - Key highlights

£5bn+
Lent to Date

OakNorth Bank has lent over £5bn to the Missing Middle[1] across the UK since its launch in September 2015

17,600
New Homes

OakNorth Bank's loans have directly helped with the development of 17,600 new homes across the UK (the significant majority of which are affordable and social housing)

22,500
New Jobs

OakNorth Bank's loans have directly helped with the development of 22,500 new jobs across the UK, as well as preserving the jobs of tens of thousands more

170,000+
Savings Customers

Over 170,000 individuals have chosen to save with OakNorth Bank, benefitting from its competitive and FSCS-protected savings platform

#1
Fastest growing business in Europe

OakNorth Bank was named by the Financial Times as Europe's fastest-growing business in March 2020 (Source: FT 1000)

Top 1%
Performance metrics of listed Banks

OakNorth Bank's performance metrics are amongst the league of the top 1% of listed banks globally[3]

24%(excl overlay[2])
19% (incl overlay)
RORE

OakNorth Bank's Return on Required Equity (RORE) is 24%

27%
Efficiency Ratio

OakNorth Bank's efficiency ratio[4] at the Q4-2020 is 27%

Zero
Loan write-offs

OakNorth Bank has not had any loan write-offs to date

80
NPS

OakNorth Bank has a borrower Net Promoter Score of 80 vs an average of 42 for some of the larger UK banks

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[1] Missing Middle refers to high-growth, scale-up businesses that have the most significant positive multiplier effect in local communities and the economy in terms of job creation, productivity and GDP growth

[2] "Overlay" refers to £17.4m COVID overlay provisions recorded by the Bank in 2020 and detailed in the Notes to the financial statements

[3] Based on Cost-to-income ratio and ROE measure of global listed banks. Latest available information as available from various external sources

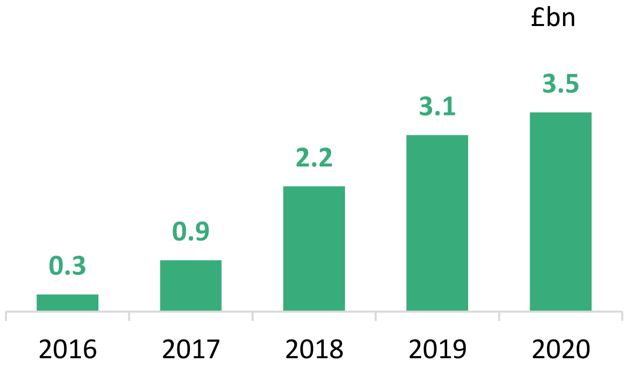
[4] Efficiency ratio refers to Cost-to-income ratio

Business performance - Key highlights

Total loan facilities[5]

£3.5bn

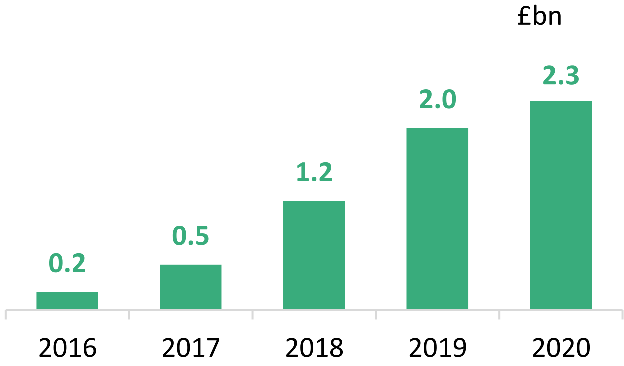
13% growth in 2020



Total customer deposits

£2.3bn

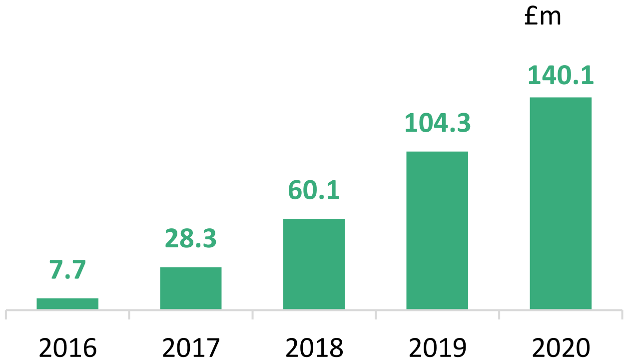
15% growth in 2020



Total operating income

£140.1m

34% growth in 2020



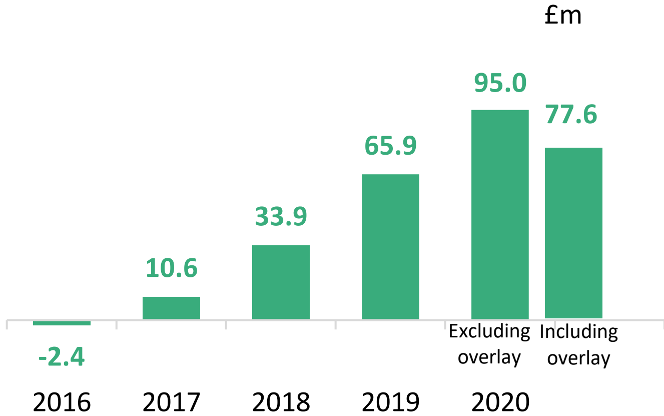
Total profit before tax

£95.0m (excluding overlay[6])

44% growth in 2020

£77.6m *(including overlay)*

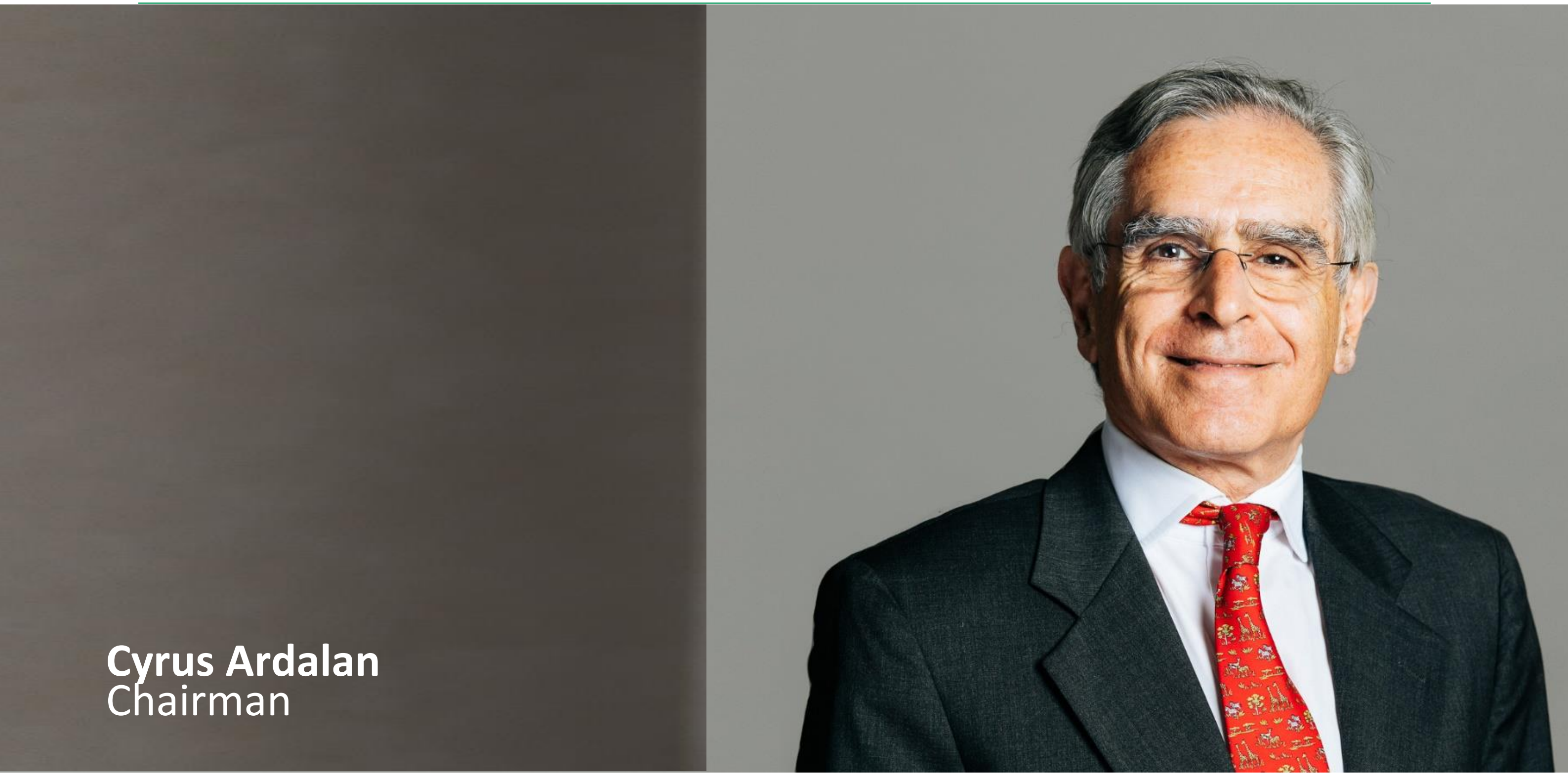
18% growth in 2020



[5] Including drawn and undrawn (both committed and uncommitted) facilities

[6] "Overlay" refers to £17.4m COVID overlay provisions recorded by the Bank in 2020 and detailed in the Notes to the financial statements

Chairman's Statement



Cyrus Ardalan
Chairman

In my 50 years working in financial services, I have never experienced anything as devastating as the situation we witnessed, and continue to witness, over the past year as a result of the COVID-19 pandemic. Millions of lives have been tragically lost as the Coronavirus continues to force countries and economies to shut down in order to protect their citizens. We are grateful to the heroic NHS healthcare and other key workers who continue to save lives and keep our vital services going. In 2021, we are just beginning to see the light at the end of the tunnel with the vaccination programme well underway, and we hope to be able to beat this invisible enemy soon.

I'm proud to be Chairman of an institution that has taken its role during this pandemic – and in society more broadly – seriously, working closely with customers, employees, investors, and regulators to secure vital funding for the businesses that need it most.

In my letter last year, I wrote that the next 12 months would provide OakNorth Bank with an exciting opportunity to prove the strength of its proposition and the businesses it lends to through an economic cycle.

While I would not call the events of 2020 "exciting" and I could never have predicted what those events would do to the economy, OakNorth Bank's performance has exceeded my expectations. It has supported hundreds of British businesses helping to protect the livelihoods of thousands, built its deposit customer base to over 170,000 individuals, and it has maintained its exemplary track record of zero loan write-offs. Remarkably, the Bank has managed to do all of this profitably and without needing to take advantage of any of the taxpayer-funded COVID-relief schemes for itself, such as furlough.

It is a business that has raised the bar and set a new standard for commercial banking here in the UK, and across the world.

Financial services need to look forward, not back

In commercial lending, banks rely heavily on their risk models to make decisions. These models have been built internally, often over decades of lending across thousands, if not tens of thousands of loans. The issue with this approach - which has been exacerbated by COVID-19 - is that these models are based on historic data. Given the dynamics of the pandemic and the extraordinary fiscal stimulus we've seen from governments around the world to counter it, extrapolating from the past is no longer an approach that is fit for purpose. The last time humanity experienced a global pandemic was during the 1918 influenza pandemic– hardly a useful benchmark for the world in which we live today.

Secondly, traditional risk models tend to lump all businesses into one of a dozen or so categories – for example, all restaurants, bars and hotels are classified as "Hospitality". This disregards many fundamental differences in how these businesses operate as well as the environments in which they operate – the experience of a pizza delivery business throughout this pandemic will have been very different to a Michelin-star fine dining restaurant. Equally, the experience of a boutique hotel catering to stay-cationers is markedly different to an airport hotel, or one catering to business travellers near a conference venue.

Previous models do not take into account how quickly the situation changes day to day during a pandemic. If we look at what's happened here in the UK, the first lockdown was very different to the second, in which schools, nurseries and construction sites were allowed to stay open. Equally, if we compare the third lockdown to the first, travel on public transport has been almost three times higher, despite cases and hospitalisations reaching record high levels.

By contrast, OakNorth Bank's approach has been able to model a forward-looking view of the borrowers' financial situation. It is informed by industry benchmarks, macroeconomic drivers, and scenario analysis specific to 262 subsectors by leveraging expansive and dynamic data sets. The ON Credit Intelligence Suite enables it to gain an understanding of the loan book at the granular loan level, taking into account the individuality of each business. Re-running analysis on a regular basis also allows us to factor in the latest up-to-date data and forward-looking scenarios.

This unique approach has enabled OakNorth Bank to continually achieve market-leading results and grow its loan book despite the ongoing challenges being presented by COVID-19.

Building a world-class deposits franchise

It is important to acknowledge however, that the gross £1.1 billion we lent to businesses in 2020 wouldn't have been possible without the support and loyalty of our deposit customers. Over the last five years, we have built a deposit offering that is convenient, competitive and frictionless, enabling us to attract over 170,000[7] savings customers.

Our award-winning savings platform offers a range of Financial Services Compensation Scheme (FSCS)-protected products to savers at all stages of life and businesses at all stages of growth. Customers can fund and manage their account online or via our app and should they have any queries, they can call our dedicated, UK-based customer service team. At a time of record low interest rates, we have continued to provide competitive rates and, through partnering with other leading fintech and financial services institutions, we have been able to offer a wider range of products to a broader demographic of customers.

We are grateful to the individuals and businesses who continue to trust us as the safe, preferred home for their savings, and support us in empowering the Missing Middle.

As with any crisis, having strong leadership is critical

The Board and management's commitment to strong governance, and access to a deep pool of knowledge and expertise has been central to our success and has enabled us to overcome the challenges of the last year.

[7] Figure includes customers who have come to us direct and via partnerships

Chairman's Statement (continued)

In addition to myself and OakNorth's founders, Rishi Khosla and Joel Perlman, our board includes: Ted Berk (former partner at Bain Capital), Navtej S Nandra (former President at E*TRADE Financial Corporation)- who was also the Chair of the Audit Committee of the Bank until November 2020, and Robert Burgess (previously with Lloyds), and we are delighted to welcome Kasia Robinski (a successful entrepreneur, and angel investor with extensive experience in investment banking and private equity including with Hanover Investors, Goldman Sachs, CSFB, Sutton Trust) as a Non-Executive Director and Chair of the Audit Committee, and Rajesh Gupta (former CFO at Kensington Mortgages and GE Capital) as our new CFO.

In addition to our Board, we are also supported by an exceptional advisory board which includes: Lord Philip Hammond (former Chancellor of the Exchequer in the UK Government from 2016 to 2019) who joined us at the beginning of 2020, Lord Adair Turner (former Chairman of the FSA), and Martin Stewart (former Director of Banks, Building Societies & Credit Unions at the Bank of England). Their experience and counsel throughout the year has been invaluable has helped us prepare for the challenges we have overcome and for those that lie ahead.

On behalf of the Board, I would like to thank all our customers, investors, the regulators and our employees for continuing to support us as we pursue our mission to empower the Missing Middle. It has been an incredibly demanding year, and we could not have achieved any of the above without you. Unfortunately the current pandemic is not likely to ease off for a while yet, so much like the trees from which OakNorth proudly takes its name, we must continue to stand strong and steadfast together.

Cyrus Ardalan
Chairman
5 March 2021

Chief Executive's Review

As I write this letter, the UK is still under significant restrictions as a result of COVID-19, and on 31 December 2020, officially separated from the EU – it's nearest and biggest trading partner.

In short – 2020 was a year like no other and will be remembered as one of the most challenging and seminal for generations to come.

Over the past 12 months, the pandemic has tragically taken the lives of millions, forcing governments around the world to enact unprecedented measures to slow its spread. The numerous lockdowns have led to an increase in unemployment, the closure of countless businesses, and triggered the worst global recession in three centuries.

Despite these hardships, we have witnessed communities coming together, and incredible resilience, creativity and kindness. Our thoughts and prayers continue to be with the courageous healthcare and key workers who continue to selflessly put their lives at risk, and the many families who have lost loved ones during this crisis. With vaccines now being administered, we are hopeful for the healing and rebuilding that will soon follow.

Given the challenges of the last year, and the numerous trials we have to overcome, our mission – to empower the Missing Middle – has never been more important.

Preparing for the pandemic

When COVID-19 began to emerge in January 2020, our first course of action was to run stress scenarios related to potential supply chain disruption from China on our loan book. By mid-February, before we were even sure that COVID-19 had reached British shores, we had already run six full portfolio stress tests across our entire loan book, on a granular, loan-by-loan basis.

From 13 March (10 days before the UK went into its first lockdown), we began hosting daily ExCo and Credit Committee meetings to discuss how we could best support our borrowers, maintain credit quality, support our deposit clients, and operationalise remote working to ensure the safety of our teams. Within 36 hours of the first UK lockdown coming into effect, we had run a reverse stress test on our entire loan book, determining how long each business could survive if opex[8] were to stay constant, but their revenues dropped to zero. This ensured we prioritised our portfolio actions in the right order.

Over the next two weeks, we continually refined the granularity of our stress tests – increasing the severity of the situation based on the UK lockdown lasting three months, then six months, then nine months and so on. This evolved into what we now call the COVID Vulnerability Rating (CVR) Framework which is provided within the ON Credit Intelligence Suite. The Framework integrates 262 proprietary, subsector-specific, COVID-19 stress scenarios with regional overlays, and incorporates assumptions on impacts for key financial metrics such as revenue, operating costs, working capital and capex.

The CVR Framework enables us to:

- Classify our loan book into granular sub-sectors and determine the impact of COVID-19 using the 262 sector-specific domain models and forward-looking scenarios;
- Assess each sector through the three stages of the crisis – the initial impact from COVID-19, additional waves with short-term reboots in between, and the new normal;
- Explore a range of outcomes based on structural changes, for example, in consumer behavior and government fiscal stimulus;
- Utilize this sub-sectoral analysis to stress test the entire loan book simultaneously on a loan-by-loan basis and flag which individual obligors may need closer analysis and support;
- Engage early with businesses that are vulnerable, and institute closer monitoring while helping management teams understand our stress scenarios;
- Build trust in the scenarios through regular efficacy tests incorporating concepts of 'now-casting' and 'back-testing'.

We continue to update these scenarios on a regular basis as material changes occur. We have run over 12 scenarios on a loan- by- loan basis across our loan book through 2020. Our December 2020 scenario assumed lockdown until the 1st June 2021, with recoveries based on granular sector level drivers and behavioural shifts and trends over the subsequent 48- month period. A look back over our scenarios demonstrates we have been directionally correct with a conservative bias. We are also now developing and using our forward-looking scenarios to ensure we're well-equipped from a credit and risk management perspective for future unprecedented events, such as natural disasters resulting from climate change.

If we can't support our borrowers through the bad times, we don't deserve them in the good times

In 2020, we lent £1.1 billion gross to the Missing Middle, supporting hundreds of businesses and thousands of jobs. In addition to this, we supported clients with the Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS). We're grateful to the British Business Bank (BBB) who onboarded us as one of the first new lenders to the schemes, and to the PRA, FCA, and HM Treasury who have kept an open dialogue with us and other lenders throughout the pandemic, inviting feedback and evolving the schemes as necessary.

By working closely with borrowers and sharing best practices from their industry peers, we've helped them take timely and appropriate action to address

[8] Including wages, rent, rates and other fixed and variable costs

the impact of COVID-19 on their business. Examples of this include:

- Ensuring construction sites have security and surveillance in place should they be forced to close again;
- Extending Long Stop Dates on new builds;
- Making sure insurance terms are not invalidated due to business premises being empty;
- Creating COVID-secure work environments to enable those who are unable to work from home to return to the workplace.

Being a reliable, long-term partner to our customers throughout the pandemic, rather than just bankers, we have been able to make them our best advocates. Our borrower Net Promoter Score averaged 80 throughout 2020, with 80 percent of our qualified new business leads coming from client and partner referrals.

Lee Stimpson, Founder and Director of Little Explorers Day Care Nursery Limited (loan completed in June 2020)

"Despite the ongoing challenges of COVID-19 we were able to demonstrate Little Explorers' successful track record pre-COVID-19, and our growth plans for the years to come. As a sector that has been heavily impacted by the lockdown, I'm incredibly grateful for OakNorth Bank's support during this time."

Surinder Arora, Founder and Chairman of Arora Group (loan completed in October 2020)

"I have never had this kind of experience with any lender in my life – I have been so impressed by the speed and transparency with which OakNorth Bank operates. If the major clearing banks want to learn about how to genuinely do things differently, they should be looking at OakNorth."

Tom Walsh, Founder and CEO of Staycity Aparthotels (loan completed in November 2020)

"Everyone with whom we interacted at OakNorth have been helpful, courteous, hard-working, truly professional, friendly and collaborative in the extreme."

Missing Middle businesses are the most significant contributors to economic and employment growth. They have developed productive and profitable business models, so by giving them access to finance, you enable them to scale and in doing so, improve productivity, employment and GDP growth across the country.

Since 2015, we are proud to have lent an aggregate of over £5.1 billion to the Missing Middle with £1.6 billion facilities repaid[9], and now have hundreds of borrowers in the UK across a variety of sectors including - healthcare (nursing homes and retirement villages), consumer goods, vehicles and parts manufacturing, capital goods manufacturing, household professional services (including educational services), nurseries, business support

[9] This includes loan repayments of £1.3 billion and £0.3 billion of facilities closed

services, hospitality & recreation (including hotels, resorts, restaurants and bars, fast food outlets and limited service restaurants), SME residential & commercial property development & investment. Using the capital they've secured from OakNorth Bank, these businesses have gone on to develop over 17,600 new homes, significant majority of which are affordable and social housing , and create 22,500 new jobs.

The Missing Middle will play a vital role in the post-pandemic economic recovery, so it is essential that these businesses continue to receive the support from Government and financial institutions that they need.

However, we don't just have a responsibility to support our clients, we also have a responsibility to the environment and wider society

In our 2018 Annual Report, I announced that in order to continue reinforcing the positive impact that the Missing Middle has on communities and economies globally, we would be donating 1 percent of our Group profits to supporting charitable causes and socially-minded enterprise. I am proud that in the first two years of this commitment, we have created and supported dozens of initiatives globally, focused on: the conservation of natural resources, female empowerment, education particularly in STEM subjects, social mobility, entrepreneurship and mentorship, and inclusive development of underprivileged communities. To support COVID-19 relief efforts, OakNorth has helped with the sourcing and distribution of over 84,000 meals for underprivileged families. We also helped with the sourcing and distribution of over 70,000 items of PPE to hospitals and community centres to help keep healthcare and key workers protected at a time when there was a PPE shortage.

In 2019, we announced that we became one of the first banks globally to become net carbon zero through offsetting our Scope 1 (estimated direct emissions) and Scope 2 (electricity-generated indirect emissions related to suppliers of our IT infrastructure) emissions. Throughout 2020, we formalised our approach to Scope 3 (the impact of emissions from our clients and all other indirect emissions) and will be launching it in 2021. This is detailed later in this report, but we are delighted that already more than 35% of our borrowers are taking proactive steps to conduct their business in an energy efficient way.

Redefining commercial banking, powered by technology

We are confident in our ability to continue lending to the Missing Middle throughout 2021 and beyond thanks in large part to the power, insight, and efficiency that the ON Credit Intelligence Suite provides.

Our software allows us to lend smarter, faster, and more to the Missing Middle, leveraging a deep understanding of credit (what we call "Credit Science"), expansive and dynamic data sets, auto-analysis capability, cloud-computing and state of the art machine learning. This provides us with a granular, forward-looking view of a borrower's financial situation - informed by industry benchmarks, peer analysis, and scenarios specific to that business.

We have used the ON Credit Intelligence to apply the CVR stress scenarios to our loan book, assigning each borrower a vulnerability rating based on factors such as liquidity, debt capacity, funding gap and profitability. This framework has been pivotal to managing our loan book through the COVID crisis, as it has enabled us to prioritise the borrowers who need support. This framework has enabled us to complement the traditional risk models at a time when historic correlations have broken, with a granular bottom-up forward-looking approach. Through the continuous monitoring of active credits, we are able to turn monitoring which is based on proactive alerts - into a real time process, rather than a manual and reactive one. This not only improves credit outcomes, but also means our Debt Finance

Directors can spend more time originating deals, finding the right path to 'yes' with prospective borrowers, and building deeper and more meaningful relationships with clients.

This approach has helped us achieve performance metrics which place us in the top 1 percent in terms of key performance metrics of globally listed banks[10]– an RORE of 23.6 percent[11] and an efficiency ratio run rate of 27 percent[12]. We are also yet to have any loan write-offs.

We also license the software (through our sister entity) to other banks around the world, including: SMBC, PNC, Customers Bank, Old National Bank and NIBC, who share our vision to empower the Missing Middle and shape a smarter commercial banking model.

We have had many positive conversations with regulators globally to ensure they understand how the software works and how it is being deployed by other banks around the world. The technology sets aside the traditional third-party vendor 'black-box' in favour of a 'glass box' approach. Banking clients that use the ON Credit Intelligence Suite, not only see the underlying assumptions that flow into the software's credit analysis but can alter parameters of scenarios and stress-test themselves to see the impact of those changes instantly.

We are proud to be a British business and want to help scale the UK's fintech success

The UK benefits from a diverse pool of exceptional talent, with four of the world's top 10 universities being in the UK, forward-thinking and innovation-friendly regulators, and a sophisticated and active investor network – all of which help to develop a unique ecosystem for fintech companies to be born and thrive.

However, if the UK is to maintain its pole position within fintech, it's vital that it doesn't rest on its laurels and become complacent given the success that's been achieved to date. There is a huge amount being done within government to support the fintech sector and ensure it can remain a global leader. We are proud to be playing our part in this – participating in Ron Kalifa's Fintech Review (Skills and Talent, Capital Funding and Investment, Policy and Regulation, and International Attractiveness and Competitiveness), being part of Tech Nation's Fintech Delivery Panel 2.0, and flying the flag for British fintech, speaking at virtual events all over the world.

However, with a huge amount of work having gone into enabling new players to enter the market, it's vital that the right steps are taken to support those fintechs that are scaling up. Creating more proportionality in the financial services sector and regulatory environment, so that successful UK fintechs can continue to provide a competitive environment that enables better customer outcomes.

End of season one…now we move to season two

We have only just started.

The first five years of OakNorth's journey have seen it secure one of the first new UK banking licences in 150 years, lend over £5.1 billion in aggregate, to the Missing Middle in the UK since inception – directly helping with the development of 17,600 new homes and 22,500 new jobs across the UK, achieve performance metrics which rank it in the top 1 percent of banks in the developed world, and bring the benefits of the ON Credit Intelligence Suite to other commercial banks.

[10] Based on Cost-to-income ratio and RORE measure of global listed banks. Latest available information as available from various external sources.

[11] Based on required equity, as we are significantly overcapitalised today to support our growth

[12] As at Q4-2020

Chief Executive's Review (continued)

If this is 'Season One' of the OakNorth story, the title would be 'Build'.

While the next few years will be incredibly challenging, one of my greatest lessons from the 2008 financial crisis was that some of the most challenging periods also create meaningful opportunities. In addition to seeing some businesses emerge from this crisis even stronger and more resilient than before, we will see new businesses and innovations being born out of it.

I want us to be able to look back on this and know that as a society, we came together to support one another, to help the vulnerable, and to protect businesses and those they employ. If we get that right, it will be a great learning not just for 2021, but for generations to come.

Thank you to our borrowers, deposit customers, investors, the regulators and of course our team for helping to make these first five years of OakNorth's journey so exciting and impactful.

Season Two has now started.

Rishi Khosla
Chief Executive Officer & Co-Founder
5 March 2021

Strategic Report

Strategic Report

The Directors present their strategic report for OakNorth Bank Plc for the year ended 31 December 2020.

Principal Activities and Review of the Business

OakNorth Bank's five years

It's been five years since OakNorth Bank (herein referred to as 'the Bank') launched and, in that time, the UK has gone through not one, but two unprecedented events – the Brexit vote and the withdrawal process that followed, and COVID-19. It's fair to say it's been a uniquely challenging period to have started and scaled a new bank, but we've been fortunate to have had the opportunity to build a robust business through this time.

The past

The computer says 'No', 'No', 'Sorry, but no'

In 2005, our co-founders, Rishi Khosla and Joel Perlman, were looking for a working capital facility to support their growing business, Copal Partners, a financial research firm they'd founded three years previously. They approached numerous high-street banks and kept getting variations of the same response – "the computer says 'No'". Despite being a profitable business with strong cash flow and retained clients, none of the commercial banks were willing to lend to them. It was too small a ticket to offset the costs the bank would incur in doing a fundamental assessment of their business and structuring a finance facility for their needs. A few months later through one of their institutional client's special situations desk, they managed to secure 100x the amount of debt for a dividend recap. So, an institutional division of a bank was able to support them, but the commercial lending part of the bank was not.

This experience stuck with them.

After they'd scaled Copal Partners to a 3,000-employee business, Moody's Corporation (NYSE: MCO) acquired it in 2014, and they then set out to address the funding gap they had experienced first-hand and help growth businesses achieve their potential.

We refer to this funding gap in the market as the *Missing Middle* – these are the high-growth, scale-up businesses that have the most significant positive multiplier effect in local communities and the economy in terms of job creation, productivity and GDP growth, but that despite this, still struggle to access fast, flexible debt finance.

By our estimate, the global funding gap to the Missing Middle is over US$1.3 trillion.

Rishi and Joel wanted to address this gap with not only a very robust and sustainable bank in the UK (OakNorth Bank), but also a technology solution (the ON Credit Intelligence Suite) that would enable other banks around the world to more holistically and efficiently lend to the Missing Middle.

The present

An intelligent approach to commercial lending

Credit Intelligence is a data-driven technology created by OakNorth. It's a unique and new way of operating that gives commercial lenders a 360-degree view of the borrower based on historical data and, critically, a comprehensive forward-looking view using algorithmic, continuous analysis of multiple drivers across the business, its peer group and the wider economy. This provides an independent, consistent, detailed framework offering deep contextual insight that enables rapid underwriting, immediate stress-testing and the ability to open up new opportunities at lower risk through more agile and targeted strategic lending.

Through leveraging the software since inception, OakNorth Bank has been able to become the fastest-growing business in Europe according to the Financial Times[13], and has performance metrics that place it amongst the top performing listed banks globally, with a 23.6% RORE[14], a 27% efficiency ratio[15], a net promoter score of 80. The Bank reached cash flow break even just 11 months after launch and has been profitable every year since. It has lent an aggregate of £5.1 billion to hundreds of businesses across the UK since inception.

Strong Board and Advisory Board

Having good governance and being able to access a deep pool of knowledge and expertise has been critical to our success to date. Cyrus Ardalan (former vice chair of Barclays investment banking and World Bank) joined us as our Chairman early in our journey in July 2015. He has helped ensure the board is made up of a broad and deep range of experience across banking, debt finance, and operations as well as entrepreneurial skills.

In addition to the co-founders, Rishi Khosla and Joel Perlman, the Board also includes Non-Executive directors: Robert Burgess , who joined us in 2015; Ted Berk and Navtej S Nandra, who joined us in 2017 and Kasia Robinski who joined us in the year as Non-Executive Director and Chair of the Audit Committee. Rajesh Gupta joined us in January 2021 as an Executive Member of the Board and the CFO.

We also have an exceptional Advisory Board which includes: Lord Philip Hammond, who joined us in the year; Lord Adair Turner, who has supported the Bank previously as a NED until 2017 before moving to the advisory role, and Martin Stewart who joined us in 2018.

A founder-led, mission-driven business

What binds our Board, leadership and wider team together are our shared core values:

- ✓ **Customer delight:** Consistently delivering customer experience that goes above and beyond their expectations
- ✓ **10X:** Aiming to offer OakNorth's customers an experience that is ten times better than the competition
- ✓ **One team:** Working collaboratively to achieve the best results for our customers
- ✓ **Momentum:** Ensuring that we put energy and drive into everything we do
- ✓ **Saying it as it is:** Being open and transparent with all stakeholders
- ✓ **Right ambition:** Understanding our purpose and conducting our business in an ethical way
- ✓ **Zero base:** Not being captive to outdated thinking; constantly adapting to our changing environment

As a founder-led organisation, entrepreneurialism is in our DNA and is reinforced by a high level of employee ownership of the business. Over 82% of employees in the Bank have taken the opportunity to buy shares at the Holding Company level. At the end of 2020, the Bank had 96 employees across the UK (2019: 96). The Bank is supported by other entities in the Group including OakNorth Global Private Limited (ONGPL) and OakNorth

[13] Source: FT 1000. The rankings were published in March 2020 and were based on the 2019 business performance

[14] Pre-COVID overlay provision

[15] As at Q4-2020

(UK) Limited (ONUK). The total number of employees across the whole Group was 811 at the end of 2020 (2019: 779).

At OakNorth Bank, we believe in promoting a diverse workplace in which different backgrounds, voices and perspectives can be brought to bear for our customers' benefit. We aim to attract people who possess the right competencies and talents, irrespective of gender, race, religion, sexual orientation or background, and who are capable of contributing to a high-performing organisation. Our approach to remuneration is based on promoting and rewarding the right behaviours which ensure that the interests of our customers and long-term value creation are at the forefront of everything we do.

Conducting our business in a sustainable way

Climate change is a grave global issue that impacts us all - our employees, customers, partners and suppliers - weather patterns are changing, sea levels are rising, and extreme weather events are becoming more common.

That is why we place environmental and social consideration at the heart of our business model. We do not lend to businesses that are in engaged in oil or gas production, leather tanning or manufacturing, dressing or dyeing of fur, armaments or defence activities, gambling or betting activities. We lend primarily to new housing and new growth trading businesses that tend to be more technologically advanced and aim to meet or exceed the applicable energy efficiency standards.

Continuing to be net carbon zero

Since 2019 we have been net carbon zero through offsetting our Scope 1 and Scope 2 emissions and we continue working with our clients on addressing Scope 3 emissions. We plan to continue to use offsets to achieve net carbon neutrality.

Encouraging our customers to share our vision

We spent significant time this year laying out our plans to address Scope 3 indirect emissions from our clients. As a lender, it is important that we support businesses that share our commitment to the environment and are working to transition to more sustainable business activities by reducing their emissions. In 2021, will be launching a programme to recognise those businesses from our loan book that are putting the UN Sustainable Development Goals at the core of their strategies.

To obtain a “Good” rating, a business must demonstrate that it is *working towards meeting* two or more of the sustainability performance targets defined below. To obtain an “Outstanding” rating, a business must have *already achieved* two or more of the targets. This programme will be rolled out in 2021 and we will also begin with Task Force on Climate-related Financial Disclosures (TCFD).

Strategic Report (continued)

Lookback at 2020 business performance

Key metrics*	As of 31 December 2020	As of 31 December 2019
Total Facilities (£m)[1]	3,524	3,149
Loans & Advances to customers (£m) [2]	2,525	2,074
% of loans collateralised[3]	96%	96%
% LTV of property backed loans[4]	54%	56%
Profit before tax (£m)	77.6	65.9
Adjusted profit before tax (£m) [5]	*95.0*	*65.9*
Write-offs on loan book (£m)	0.0	0.0
NIM on loan book (%)[6]	6.2%	5.9%
ECL allowance coverage (%)[7]	1.3%	0.5%
Adjusted ECL allowance coverage (%)	*0.6%*	*0.5%*
Capital Adequacy Ratio (%)[8]	22%	23%
Liquidity Ratio (%)[9]	18%	24%
Cost-to-income (%)[10]	29%	32%
Return on loan book (%)[11]	2.6%	2.8%
Adjusted Return on loan book (%)	*3.2%*	*2.8%*
Return on Required Equity (%)[12]	19.3%	19.4%
Adjusted Return on Required Equity (%)	*23.6%*	*19.4%*

* These metrics are unaudited. The Strategic Report includes both statutory and adjusted measures. The adjusted profitability measures are reported excluding impact of COVID overlay provisions to enable a like-for-like comparison vs the prior year.

[1]*Includes all facilities (committed and un-committed). Excludes any fees or interest receivable and unamortised fees*
[2]*Gross drawn principal balances outstanding*
[3]*Total (committed and un-committed) facility amount of collateral backed loans as a percentage of total (committed and un-committed) facility amounts in the loan book*
[4]*Total (committed and un-committed) facility amount of property backed loans as a percentage of the value of the underlying collateral*
[5]*Adjusted profit before tax for 2020 is stated excluding COVID overlay provision of £17.4 million.*
[6]*Interest and fee income on loan assets, less all interest expense on funding sources, as a percentage of average loan balances*
[7]*ECL -expected credit loss allowance coverage on loan assets- Balance-sheet ECL allowance on loan assets as a percentage of gross principal balances outstanding. Adjusted measures exclude COVID overlay provisions*
[8]*OakNorth Bank's regulatory capital expressed as a percentage of risk weighted assets. Details are available as part of separately published Pillar 3 disclosures*
[9]*OakNorth Bank's liquid assets relative to OakNorth Bank's deposits and borrowings*
[10]*Operating expenses expressed as a percentage of operating income. As at Q4-2020 this was 27%*
[11]*Net income expressed as a percentage of average drawn loans and advances to customers. Adjusted measure excludes COVID overlay provision of £17.4 million.*
[12]*Net income expressed as a percentage of regulatory equity capital required. Adjusted measure excludes COVID overlay provision of £17.4 million.*

Continuing support to the UK's Missing Middle

OakNorth Bank continued to support the UK's Missing Middle, approving over £1.1 billion of gross new loans during the year whilst maintaining a cautious approach. In addition to this, OakNorth Bank provided businesses with bespoke debt finance and lending under the Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS), in partnership with the British Business Bank (BBB). The growth continued with no discernible change in portfolio sector mix - we continued to support both SME property developers (primarily residential, affordable housing) and trading businesses across varied sectors including- healthcare (nursing homes and retirement villages), consumer goods, vehicles and parts manufacturing, capital goods manufacturing, household professional services (including educational services), nurseries, business support services, hospitality & recreation (including hotels, resorts, restaurants and bars, fast food outlets and limited service restaurants), SME residential & commercial property development &

investment. As a result the total drawn loan book increased by 22% to £2,525.1 million as at 31 December 2020, from £2,074.3 million as at 31 December 2019 . Our lending proposition, which is based on faster transaction times, transparency and building a detailed understanding of the borrower's business, continued to help drive growth in the loan book.

Given the impact of COVID on the economy, we continued to work closely with our borrowers throughout the year, ensuring they were supported via measures appropriate for their businesses and sharing best industry practices to ensure appropriate management actions were implemented within the business to conserve cash, protect asset value and ensure continued ability to run the business in a COVID-secure manner.

The ON Credit Intelligence Suite sub-sector level granular downside scenario approach - the COVID Vulnerability Rating (CVR) Framework - which the Bank implemented during the year, helped with evaluating the potential impact on each business and the support required through the three stages of the crisis – the initial impact from COVID-19 (lockdowns, changes in regulations, changes in customer behaviour), additional waves with short-term reboots in between (short-term recovery scenarios, fiscal stimulus), and the new normal (structural / long term changes). The response from governments across the globe was also unique and unlike any previous crisis, a range of unprecedented fiscal measures were implemented. The CVR scenarios were designed to address the unique challenges being presented by COVID-19, given that the shock was exogenous and not itself a consequence of inherent systemic or sectoral weaknesses. The ON Credit Intelligence Suite software is an integral part of OakNorth Bank's credit analysis and monitoring process. It provides us with almost instantaneous stress testing of borrower data, thereby enabling credit risk monitoring to become a real-time process.

OakNorth Bank's lending continued to be supported by the strong deposit customer franchise, to whom we offer a range of online only, FSCS protected savings products, both directly and via strategic partnerships. The retail savings market continued to be strong and the deposit book grew by 16% during the year to £2,313.6 million as at 31 December 2020, from £1,986.6 million as at 31 December 2019, with over 170,000 customers (2019: 144,000). During 2020, we launched our first fixed term deposit product in the self-invested personal pension space, via a partnership. We continue to invest in expanding and developing our savings proposition, providing our customers with a range of savings solutions so that they considered OakNorth Bank as their primary choice for their savings .

A year of continued strong financial performance

OakNorth Bank's business performance continued to be strong during the year.

There were no write-offs in the loan book - a remarkable position to be in after five years of full operation and whilst we're deep in the midst of a very material adverse cycle. The Bank has had ten client defaults on a cumulative basis since inception, of which four have been resolved without any losses. We are by no means complacent - this was achieved through the proactive portfolio monitoring capabilities and downside scenarios framework that the ON Credit Intelligence Suite provides, as well as our effective work out strategies.

The operating income grew by 34% to £140.1 million during the year, compared with £104.3 million last year. The Bank was able to maintain gross yield on loan book of 7.8% (2019: 7.9%) and achieve a reduction in the cost of deposits to 1.4% (2019: 1.8%), which resulted in the net interest margin on the loan book increasing to 6.2% in the year (2019: 5.9%). Strict cost discipline was maintained throughout the year, with strategic investments in enhancing our portfolio monitoring and workout capabilities, in addition to continued investment in technology to enhance credit workflows. This resulted in the operating expenses increasing in lower proportion (22% year-on-year increase to £40.9 million, compared with £33.6 million in 2019) versus the operating income – thereby reducing the cost-to-income ratio during the year to 29% (27% by Q4-2020), from 32% in 2019.

Because of the impact of COVID, we did see an increase in our Stage 2 and Stage 3 cases during the year. We worked hard to support all of our borrowers and bring them back to a satisfactory performing position. A small number of businesses unfortunately did default, but the effective workout strategies have ensured no write-offs in the loan book so far.

We enhanced our Probability of Default (PD) and Loss Given Default (LGD) framework during the year using external third-party data, improving the calibration of loss data across a range of sectors and industries. The framework is newly implemented and given the significant uncertainty in the economic outlook, we saw volatility in the output throughout the year. To ensure the ongoing challenges and the uncertainties due to COVID-19 are addressed in accordance with the IFRS9 requirements, the Bank assessed and recorded COVID overlay provision of £17.4 million during the year. The COVID overlay was based on the probability weighted outcome of a range of granular sub-sector bottom-up forward-looking downside scenarios, utilising ON Credit Intelligence Suite's CVR framework.

Throughout the year OakNorth Bank's capital and liquidity position remained strong, and OakNorth Bank complied with all regulatory liquidity and capital requirements. The average ratio of cash and cash equivalent balances to liabilities throughout the year was 22%, similar to the prior year. The Asset and Liability Committee (ALCO) maintains a very stringent oversight of liquidity, with forward looking metrics monitored daily. The total regulatory capital ratio as at 31 December 2020 was at 22% (2019: 23%).

Operational resilience through COVID-19

As the UK moved into lockdown in March 2020, our teams started working from home, coordinating effectively online. Our cloud-based IT and cyber-security infrastructure proved robust and resilient, and systems and processes continued to perform well. There were no notable system downtimes, operational incidents or security breaches during the year. Our offices were available to staff who needed to use the space and we ensured that COVID safety measures were implemented. No team members were furloughed or made redundant as a result of the pandemic. A number of staff support, and well-being programs were launched including- online team building, yoga, meditation and series on nutrition. Our customer service continued to perform well both for our lending and deposit customers, including handling increased call volumes from the deposit customers. This was evident in the net promoter scores (NPS) for 2020, which were 77 for deposit customers and 80 for lending customers.

Business and economic outlook

As the world continued to battle with the impact of COVID-19, the UK's transition period with the EU officially ended on 31 December 2020. However, with the Referendum vote having taken place in June 2016, this is something OakNorth Bank has been prepared for since then. Indeed, we have built almost our entire loan book with Brexit in mind, as at the time of the vote, our loan book stood at £98 million – a fraction of where it is today.

Whilst the transition period has ended and the UK and EU have negotiated and agreed some of the terms of future trade relationships, there are still several unknowns remaining, particularly for financial services and the free movement of talent. Talks have begun in the hope of reaching an agreement by March 2021 on the future of the UK's access to EU financial markets, so we will continue to monitor this.

As a UK bank that lends to UK businesses – the majority of which have UK-based supply chains – the outcome of these negotiations is unlikely to have a material impact on our usual business operations. From a talent perspective however, it's critical that the UK is able to continue bringing in talent from the EU and elsewhere in the world, so having a quick and efficient visa system in place will be incredibly important. We have currently seen minimal impact on the businesses we lend to, with any impact related to a slow-down in goods and supplies and some impact on pricing. However, we don't have exposure to many businesses that have significant trade with the EU. The longer- term impact of Brexit remains uncertain and the Bank will continue to monitor the effect on an ongoing basis.

Regardless of the outcomes of the ongoing negotiations, OakNorth Bank remains committed to empowering the Missing Middle and ensuring these businesses not only have the financial support to survive the challenges that lie ahead as a result of COVID-19, but also to thrive.

OakNorth Bank has put in place a strong risk management framework, and we undertake comprehensive assessments of our risk appetite and exposure, including stress-testing our business model. This ensures that the Bank can meet its objectives in severe and unprecedented economic conditions such as that which we currently find ourselves in. We consider our risk appetite carefully in setting our strategy, putting risk appetite monitoring mechanisms in place to protect our business. We continue to maintain a rigorous approach to credit underwriting and monitoring, which will help us continue growing our high-quality loan book throughout 2021 and beyond. OakNorth Bank's capital position is strong, and is expected to continue to be strong, supporting the projected growth of the business.

Given the success of remote working, we continue to review our long-term operational strategy of blending work from home and from office. We also continue to invest in our technology infrastructure and automation across the OakNorth group to ensure that the group is robustly prepared and ahead of the game as workflows and available technologies evolve and ensuring that we continue delivering on our key value of customer delight.

Risk Management

OakNorth Bank sets a risk strategy alongside its business strategy; and seeks to manage inherent risk through systematic and disciplined risk management. We quantify the risks taken and apply mitigating action appropriately with the objective of delivering long-term value in the business. There is a continuous improvement approach to risk management, and policies, processes and controls have been further developed in 2020 with major investment in scaling up the Credit process and headcount. Additionally, we have invested in hiring new people and implementing systems to manage key areas such as financial crime, cyber-security, and information security.

The OakNorth Bank approach begins with a strong risk-aware Culture, the setting of a Risk Appetite, and the maintenance of a robust Risk Management Framework underpinned by clear Governance.

Culture

The OakNorth Bank team is driven by a clear sense of purpose - OakNorth Bank's mission is to empower the Missing Middle and in doing so, have a positive impact on local communities and economies in terms of productivity, job creation and GDP growth.

The Board takes the lead in establishing a strong risk management culture which supports and provides appropriate standards and incentives for professional and responsible behaviour. The Board and the management are committed to living the Bank's Values and setting the tone for the culture of the organisation.

We work hard to ensure our teams are risk-aware and mindful of customer-focussed principles of good conduct. This includes doing the right thing for our customers, and making decisions on a risk/reward basis, with the focus on the long term and the aim of generating steady, sustainable, risk-adjusted returns. Risk outcomes and behaviours form a key part of compensation decisions as part of a 'balanced scorecard' approach.

Risk Appetite framework

OakNorth Bank's Risk Appetite sets out the type and quantum of risk OakNorth Bank is prepared to accept to achieve its strategic business objectives. It is cascaded top-down, deriving logically from the Bank's high-level risk objectives to the low-level measures or limits used in day-by-day decision-making by the team, and is defined and measurable. It is based on a set of Strategic Risk Objectives which are dynamically revised according to the evolution of the business and the operating environment and risk outlook. It provides a framework which is used dynamically to inform operational management decisions and business planning.

A dashboard with the status of each metric is monitored atleast monthly. Management reviews and initiates appropriate action if the risk tolerances move into 'amber' or 'red' level.

The high-level Enterprise Risk Appetite has been articulated in categories shown in the table below, which shows the key Risk Factors: Financial, Credit, Regulatory and Compliance, Conduct, Operational, Reputational, and Macroeconomic. This is subdivided further into risk appetite dimensions and with 85 Risk Appetite monitoring metrics set. For example, the Financial Risk is subdivided into the management of Capital, Liquidity, and Interest Rate Risk in the Banking Book, and subdivided into contributory risk factors such as Net Interest Margin, Funding Concentration and Deposit Maturity profile. The Risk Appetite Statement ('RAS') is carried through into OakNorth Bank's suite of Policies, and from the Policies into the Procedures (Standard Operating Procedures or 'SOPs') used by the Bank's staff.

The Business, as first line of defence, monitors against the metrics on a continuous basis, with oversight by Risk as the second line of defence.

Risk Category	Strategic Risk Objectives	Description
Financial	Manage capital, profitability and liquidity to provide for OakNorth Bank's projected needs, even under stress.	Ensure that OakNorth Bank has sufficient capital and liquidity, with appropriate buffers, to meet regulatory requirements for its on-going growth projections, even in periods of stress (when new equity may be unavailable).
Credit	Write business in a prudent manner, to minimise losses.	Build stable earnings, at an appropriate risk/reward balance, in order to create long-term value. Manage risk concentrations.
Regulatory	Maintain compliance and keep the confidence of our Regulators	Be proactive and forward-looking in understanding and adhering to regulatory requirements in full. Staff are educated and aware of their personal obligations at all times, ensuring any breaches of regulatory or legal requirements are minimised with zero tolerance of any material breaches of any nature.
Conduct	Maintain integrity and keep the confidence of our Customers.	Focus on delivery of good outcomes for our customers, meeting their needs and expectations through providing suitable products and a high-quality service.

Risk Category	Strategic Risk Objectives	Description
Operational	Manage operational risks effectively.	Proactively manage all OakNorth Bank's operational risks to achieve a low level of operational loss and minimal service disruption. This includes managing the cyber-security risks under a rigorous cyber risk management programme.
Reputational	Protect OakNorth Bank's reputation and brand through effective controls and good conduct.	Abide by both the spirit and the letter of regulation, conduct principles and good control disciplines. Sustain a good set of corporate values.
Macro-economic	Monitor macro-economic risk and mitigate possible impacts effectively.	Monitor signals of deterioration in economic conditions and mitigate impacts.

The risk appetite framework is consistent with our risk culture and business model. The principal elements which define the business model and risk appetite are:

- ❑ a leading credit risk analysis capability with conservative metrics for debt service ratios and loan-to-value
- ❑ a conservative but efficient liquidity profile and strong capital ratios to support rapid growth
- ❑ an infrastructure and operations designed for operational resilience

Risk Management Framework (RMF)

Through delegated authority from the Board, the Board Risk & Compliance Committee, Board Credit Committee, and Board Audit Committee provide overall supervision and assurance of the RMF, with independent oversight lines for the CFO, CRO, Head of Credit Risk and Head of Internal Audit respectively to enable this and to protect their independence. Roles and responsibilities are laid out in the Firm Management Responsibilities Map (FMRM).

Underpinning OakNorth Bank's operations is a strong and comprehensive risk management framework (RMF) and robust governance structure, designed to ensure that the key risks facing OakNorth Bank are identified, measured, monitored and managed, and that appropriate policies, procedures and controls are established such that each risk is mitigated to an acceptable degree.

OakNorth Bank's RMF is agreed by the Board and is set in compliance with relevant legal and regulatory frameworks including the Senior Managers Regime, the PRA and FCA Handbooks, and EBA standards. This framework is subject to constant re-evaluation to ensure that it meets the challenges and requirements of the markets in which OakNorth Bank operates, including changing regulatory expectations, industry best practices, and emerging issues.

Each risk area is covered by a Risk Appetite Statement, Policy and Standard Operating Procedures (SOPs), to mitigate the risks to within Board risk appetite.

Strategic Report (continued)

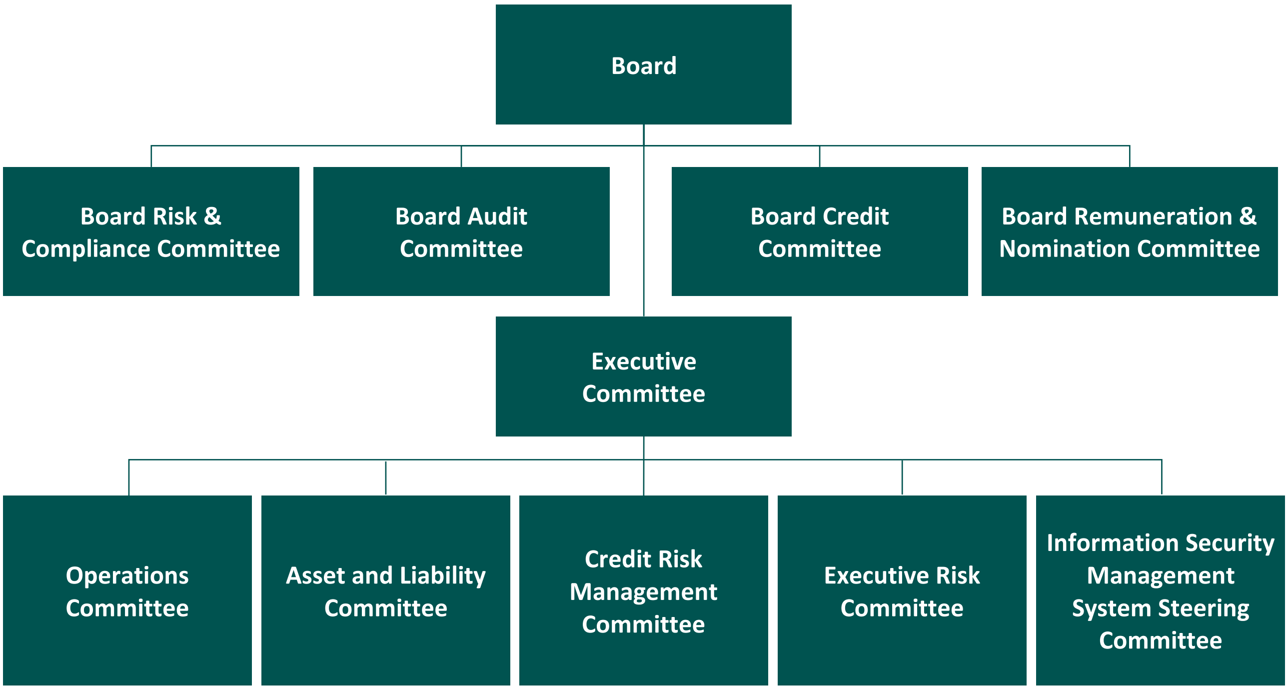
The RMF details, inter alia, the 'three lines of defence' ('3LOD') model and its operation; the roles and responsibilities of the Committees in place to govern risk; and the roles and responsibilities of the individuals responsible for managing the key risks, together with the reporting structure to ensure independent oversight of risk decisions; and the suite of policies, processes and controls employed.

Governance

Committees

OakNorth Bank voluntarily applies and reports on certain aspects of the UK Corporate Governance Code, consistent with the level of complexity and scale of the business.

The Board's principal duty is to create and deliver a sustainable business model by setting OakNorth Bank's strategy and overseeing its implementation. It is responsible for ensuring that a system of internal controls is designed, implemented, maintained and tested. It is also responsible for ensuring that management maintains an effective Risk Management Framework (RMF) with appropriate oversight processes and for embedding the principle of safety and soundness in the culture of the whole organisation. OakNorth Bank's Board of Directors is responsible for approving the RMF and the Business Strategy, understanding major risks, ensuring that appropriate limits are set against those risks and that they are adequately controlled and monitored.



The Board generally convenes once every month, currently via online meeting applications during COVID. The Board maintains oversight of all areas of the business through the Board Committees and undertakes a formal review annually of its own effectiveness, its Committees' and individual directors. The Head of Internal Audit is a standing invitee at all Committee meetings (except Remuneration and Nomination), and other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary at the invitation of the Committee Chairman.

The Board Remuneration and Nomination Committee assists the Board in determining the optimum Board size at any point in time within the legal and regulatory framework. The Board believes that its current membership comprising of three Executive, five Non-Executive Independent Directors, is optimal given the current scale of operations and the desired competencies of the Board members. The Bank also benefits from an exceptional Advisory Board.

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

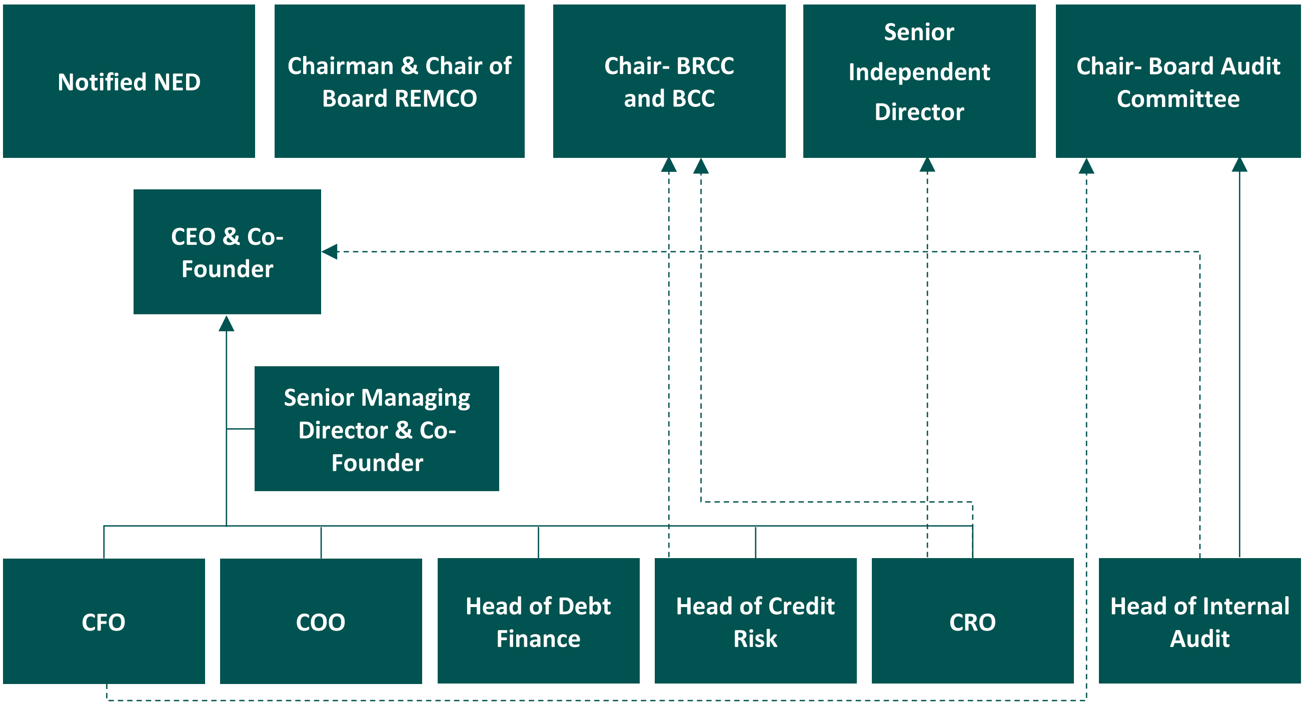
The table below summarises the responsibilities of the various committees:

Committees	Responsibility
Board	The Board sets OakNorth Bank's strategic direction and oversees its implementation. It ensures that management maintain an effective RMF with appropriate oversight processes and for embedding the principle of safety and soundness in the culture of the whole organisation. The Board's principal duty is to create and deliver a sustainable business model by setting the Bank's strategy and overseeing its implementation. It does so with regard to the interests of customers, employees, the environment, communities and suppliers. It seeks to achieve a balance between promoting long term objectives whilst meeting short term goals, and sets the culture of the Bank, ensuring that it is focussed on delivering good customer outcomes.
Remuneration & Nomination Committee (REMCO)	RemCo is responsible for ensuring that remuneration arrangements support the strategic aims of OakNorth Bank, comply with best practice and enable the recruitment, motivation and retention of senior executives. The Committee ensures compliance with regulation (Remuneration Code SYSC 19D) and sees its principles are put in place to expressly discourage any and all inappropriate behaviours. It has delegated authority from the Board for the review and approval of Remuneration Policy and is responsible for setting remuneration for all executive directors, NEDs, the Chairman and key individuals, including employees captured under the scope of the Certification Regime, including pension rights and any fixed and variable compensation payments.
Board Risk & Compliance Committee (BRCC)	BRCC takes delegated authority from the Board to oversee the entire risk agenda excluding Credit risk. It oversees the continued appropriateness of the strategy and risk appetite in the light of OakNorth Bank's purposes, values, and sound risk management principles. It assesses OakNorth Bank's principal and emerging risks, and how these may affect the viability of the business model, and monitors the adequacy and effectiveness of the RMF and the quality of risk MI. It safeguards the independence of the CRO and the 2nd line Risk function and oversees its performance and resourcing. It approves the annual Compliance Monitoring Plan. It ensures that all risks - from operational resilience to liquidity and capital but excluding Credit risk - are properly identified, evaluated, mitigated, reported, and managed. It challenges executive management and examines whether risk management expectations are translated into culture and duly embedded.
Board Audit Committee (BAC)	BAC takes delegated authority from the Board for the review and approval of the Internal Audit (IA) Charter and Methodology, and Accounting Policies, and for ensuring that OakNorth Bank values and principles are being adhered to. It monitors the integrity of financial statements and public disclosures; appoints the external auditors and their remuneration; reviews the effectiveness of the Internal Audit function, and appoints/removes the Head of IA.
Board Credit Committee (BCC)	BCC takes delegated authority from the Board to oversee all Credit Risk related matters for the Bank and approves larger credit exposures, impairments and write-offs. BCC receives reports from the Credit Risk Management Committee concerning individual credit exposures, and the portfolio as a whole. BCC also oversees model performance. BCC

Committees	Responsibility
	reviews the Watchlist and receives reports concerning the progress on any material Workouts and Recoveries. BCC also oversees the management of financial risks from climate change.
Executive Committee (EXCO)	The ExCo takes delegated authority from the Board and is responsible for developing the Bank's strategy, ensuring the delivery of the Management Plan and that the agreed strategy is executed across all dimensions. Additionally, the ExCo has responsibility for the RMF and for management of all risks. The Board delegates authority to the ExCo for the review and approval of those policies listed in the ExCo ToR (Terms of Reference).

Management Committees subsidiary to ExCo	Responsibility
Asset & Liability Committee (ALCO)	ALCo implements the Bank's Asset & Liability Management (ALM) policy, with a focus on active management of liquidity. The ALM activities include specific policies and procedures relating to Liquidity and Funding Risk, Capital Risk, Interest Rate Risk, Credit Risk of counterparties, and Market/ Investment Risk.
Credit Risk Management Committee (CRMC)	Operating under mandate from the BCC, the purpose of the committee is to oversee, monitor and control credit risk on a day to day basis, and to approve facilities under a delegated authority. It ensures that the RMF is implemented as it relates to Credit Risk and AFTE, and that all credit control processes are fit for purpose and operative so that credit risk is mitigated via: Identification; Evaluation; Mitigation; Reporting; Management and Challenge.
Operating Committee (OPCO)	OpCo's main objective is to review the performance of all business operations and reach an agreement on actions to address any issues identified. The Committee leads the design and review of Standard Operating Procedures (SOPs) and manages change. The Committee reviews, in depth, any operational issues impacting Product, Operations, IT and Change Management, Finance, Risk, Compliance and People Operations. The Committee's main objective is to promote efficiency, address operational issues in a timely manner, and manage Operational Risk across the Bank.
Executive Risk Committee (ERC)	Operating under mandate from the BRCC, the purpose of the ERC is to oversee, monitor and control the Risk agenda. It ensures that the Risk Management Framework is properly implemented and that all control processes are fit for purpose and operative so that all risks to OakNorth Bank - aside from Credit Risk, which is the mandate of CRMC and BCC, and ALM which is the mandate of ALCo and Board - is mitigated via identification, evaluation, mitigation, reporting, management and challenge.
Information Security Management System (ISMS) Steering Committee	ISMS is an additional technical forum to drive the development and implementation of security strategy, including IT infrastructure design. Any decisions on strategy, budget and investment are made by ExCo on recommendation from ISMS. ISMS would manage a cyber crisis as part of our incident management process.

Reporting structure



Business risk is managed collectively by the ExCo and the Board. The CRO reports to the Board in respect of oversight and challenge for the risk agenda and performance against the Bank's risk appetite.

Capital, liquidity and interest rate risks are managed by the CFO under report to the ALCo and through to the ExCo and the Board.

Credit risk policy, management and reporting is managed by the Head of Credit Risk under report to the Credit Risk Management Committee and the Board Credit Committee.

Three lines of defence model

In line with standard industry practice, OakNorth Bank uses a Three Lines of Defence ('3LOD') operating model which sets out roles and responsibilities for risk management. Risk management is the responsibility of all. The 3LOD principles are built into all role profiles. The structure is reviewed on a continuous basis by ExCo and Board to ensure that it develops and evolves in step with the development of the business.

1st Line of Defence (1LOD): comprises of the business areas or 'front office', where the client relationship sits, and which run operational activities designed to support the business / front office and associated controls (Debt Finance, Customer Services, IT & Operations, People Operations, Treasury and Finance).

2nd Line of Defence (2LOD): operates independently and comprises of the Enterprise Risk function, who have limited client interface. These functions are responsible for challenging the business / front office, analysis and management of credit proposals and ensuring that all controls are designed appropriately and are operating effectively.

3rd Line of Defence (3LoD): comprises of Internal Audit. The Internal Audit function provides independent assurance to the Board and shareholders over the effectiveness of governance and risk management & control in both the first and second lines of defence. Internal Audit is independent of both the first and second lines, with direct access to the CEO and NEDs. The Board is satisfied that the Internal Audit function had the appropriate resources during the year.

OakNorth Bank has established internal control and risk management processes in relation to financial reporting. OakNorth Bank's financial accounting and reporting processes are governed via established policies and procedures and SOP documents. Finance processes are additionally subject to periodic reviews by the Internal Audit function. All processes within Finance are subject to maker-checker and reconciliation controls and management reviews, including the process for production and review of the annual financial statements.

The annual accounts and disclosures are reviewed and approved both by the ExCo and the Board. Management monitors and considers developments in accounting regulations and adopts best practices in the adoption of accounting standards and in preparation of the Bank's financial statements and management accounts. The Board Audit Committee is appraised of all developments/ significant matters impacting the Bank's accounting and reporting processes.

Risk policies and controls

Detailed policies and framework approved by the Board and Board committees detail the governance frameworks ensuring that OakNorth Bank's activities are consistent with the risk appetite approved by the Board. These policies cover all areas including (but not limited to): Business Planning and Stress Testing, Market Risk Management (including liquidity and interest rate risk management), Credit Risk Management, Compliance, Code of Conduct, Conduct and Customer Experience, Financial Crime, Fraud and Anti-Money Laundering, Operational Risk and Data Protection.

Operational processes are documented in Standard Operating Procedures (SOPs). A SOP is a detailed document that describes all the necessary activities to complete a task in accordance with business standard and industry regulations, together with roles and responsibilities and key control processes.

Central to the operational risk management of the Bank is a Risks and Controls Self-Assessment (RCSA); a risk management tool whereby risks, and controls are documented and assessed process by process, to provide assurance to management that the controls are adequate. This is updated monthly as part of the risk management continuous improvement programme.

First line Business Assurance Testing and second line Assurance Testing is undertaken monthly. A Risk Events and Issues database is maintained to inform the processes.

An annual ExCo level review of controls is undertaken, supplemented by a programme of thematic risk assurance reviews and a Compliance Monitoring Plan which examines regulatory compliance in all areas of the bank in a continuous cycle.

Top risks and Emerging Risks

The Bank's Top Risks and Emerging Risks are identified, and mitigating action taken by the ExCo, and overseen by the Executive Risk Committee and the Board Risk & Compliance Committee.

A risk review is debated on a quarterly basis, and each risk has risk mitigation actions allocated. The table in the following page summarises the key risks, the key mitigating actions/ approach and the key risk appetite metrics used to monitor the risks.

Key themes in the Top Risks analysis are as follows:

Top Risk Description	Risk mitigation
The COVID-19 crisis A risk facing all banks that the COVID-19 crisis leads to severe credit losses or operational losses	❑ OakNorth Bank successfully implemented its contingency plans and has been operating with most employees working from home with no interruption in service to customers. OakNorth Bank has complied with all government guidance and best practice and been able to provide a fully sustainable service to customers whilst taking care of employees' health. ❑ OakNorth Bank has participated in the CBILs and CLBILs programmes and is supporting its customers through the crisis. ❑ OakNorth Bank has undertaken portfolio stress tests in line with Regulatory guidance and its own detailed sectoral stress tests and has taken full account in its 2020 results.
Credit risk A generic risk which features in the Top Risks given the high growth achieved in the loan book. OakNorth Bank has incurred zero write-offs in the loan book in 2020 through use of advanced analytics and controls and effective management of its exposures by the workout and recoveries team	❑ OakNorth Bank has set detailed prudent guidelines and policies for lending with guidelines for key areas such as Debt Service Cover and Loan to Value, and with credit risk appetite limits set for matters such loan book average probability of default, loss given default; sectoral and single name concentration; and watchlist cases. ❑ Credits are analysed by experienced credit risk professionals with support from the advanced credit analytics provided by ON Credit Intelligence Suite. ❑ OakNorth Bank has robust monitoring processes run by an experienced Portfolio Monitoring team to ensure that all risks relating to individual borrowers are proactively identified. ❑ The Board is also continually engaged in review of the loan book to ensure that it is performing as expected and risks are within defined limits.
Cyber security A generic risk which features in the Top Risks because the attacks on the financial sector never cease	❑ OakNorth Bank employs a cloud-based IT platform running on AWS. Advanced cyber risk defence mitigation measures include next generation firewalls, a secure VPN, 24/7 monitoring, data loss prevention tools and endpoint encryption, with various leading monitoring and cyber defence software tools operated by experienced professionals.
Operational resilience A generic risk. OakNorth Bank has incurred zero operational losses in 2020, through proactive management.	❑ The resilience of OakNorth Bank's operations is founded upon up-to-date cloud-based IT infrastructure, robust use of Standard Operating Process documents for all key processes with defined controls and responsibilities, high levels of automation and the use of strong Service Providers including AWS and the Bank's sister companies ONGPL and OakNorth UK Ltd . ❑ Processes and controls are constantly kept updated and checked through the on-going Risk and Controls Self-Assessment Process (RCSA). ❑ First and second line controls and monthly testing are in place. ❑ An Operational Resilience programme has defined Key Business Processes and has set Impact Tolerances.

Top Risk Description	Risk mitigation
Financial crime A generic risk which features in the Top Risks because the attacks on the financial sector never cease	❑ OakNorth Bank does not offer transactional accounts, and hence a major area of financial crime risk does not impact the business. ❑ Detailed processes are in place for Anti-Money Laundering, Fraud prevention, Anti-Facilitation of Tax Evasion, and Anti-Bribery and Corruption, with controls embedded in processes and systems applied by skilled staff. First line management oversight and second line assurance oversight are in place. ❑ OakNorth Bank employs leading financial crime prevention tools including CIFAS, Comply Advantage, Experian, and World Check. ❑ Regular enterprise-wide risk assessments are made in all areas and controls are subject to a continuous improvement programme.
Liquidity risk A generic risk which is relevant as a Top Risk for ON as a relatively new bank	❑ OakNorth Bank has set a series of forward-looking risk appetite metrics in place which are monitored daily, which include measures around liquidity ratios (including LCR and NSFR), funding concentration and deposit maturities. ❑ These liquidity requirements and relevant deposit market information are monitored by the ALCO. A comprehensive ILAAP assessment is performed annually. ❑ The liquidity ratios are also tested quarterly under stress testing scenarios, and a detailed ILAAP assessment is performed annually.
Capital adequacy A generic risk which is relevant as a Top Risk for OakNorth Bank as a fast-growing bank	❑ OakNorth Bank's internal target amount of capital is set by its own assessment of the risk profile of the business, market expectations and regulatory requirements. ❑ Critical risk appetite limits for projected capital ratios have been set on a forward-looking basis to ensure any capital raising activities are undertaken on a timely basis to continue supporting growth of the business, monitored monthly. This ensures that capital resources are in place for forecast growth requirements. ❑ The capital ratios are also tested quarterly under stress testing scenarios, and a detailed ICAAP assessment is performed annually.
Regulatory and compliance risk A generic risk	❑ Compliance training is undertaken for all staff, and policy and processes are validated for compliance and continuously revised and updated as regulation and regulatory expectations evolve. ❑ A Compliance Monitoring Plan (CMP) is run continuously by the second line of defence, covering all areas of the business in an on-going cycle. Regulatory developments are tracked an actioned. ❑ Product design and customer communications are carefully checked to ensure compliance.
Reputational and conduct risk A generic risk	❑ OakNorth Bank is committed to putting the customer at the heart of its business model and strategy, being transparent in its dealings with its customers, and delivering good outcomes for them. The Bank ended 2020 with a new high in its Net Promoter Score of 87 and an average over the year score of 80.

Top Risk Description	Risk mitigation
	❑ The foundation is a strong set of company values which include *"Right Ambition", "Say it how it Is", "Customer delight"*, which align with sound Conduct principles. ❑ OakNorth Bank reinforces this via behavioural objectives incorporated into reward and incentives, with conduct taken into account in all annual appraisals. Mechanisms to gather customer feedback are used actively each month. ❑ We monitor customer outcomes in various ways including customer satisfaction scores and surveys, complaints as a proportion of customer numbers and by root cause analysis and action, and Net Promoter Score.

Emerging Risk Description	Risk mitigation
Economic environment An industry-wide risk	❑ The economic backdrop is now challenging. The economic cycle downturn has been crystallised by the COVID-19 crisis, with a risk of further impact from the effects of Brexit in 2021. ❑ The downturn has been unprecedentedly severe, and we are assuming a slow recovery in revenue for hard-hit sectors, with GDP not fully recovering until 2023, as reflected in the Bank of England forecasts. ❑ OakNorth Bank has made a comprehensive revision of its credit risk appetite in response and has completed a detailed loan level stress test which has assessed the full inherent risk level. ❑ We are supporting existing and new customers through the downturn with new facilities on a carefully managed basis using our advanced forward-looking credit analytics, including over £400m in CBILs and CLBILs loans.
Climate change An industry-wide risk	❑ We are taking a pro-active approach with a programme to mitigate risk and meet all regulatory requirements. ❑ We have already offset all our direct emissions and that of our critical suppliers and have achieved net carbon zero status. ❑ We do not lend to the oil and gas sectors, and we assess that our lending exposure to real estate which might be subject to climate change risk is low. We have adjusted our credit policies accordingly.
Competition in the SME market Market developments	❑ We monitor competition and new entrants and take continuous action to maintain the advantages of our business model which have won OakNorth Bank multiple awards in recent years.

Section 172 statement

Our business model and strategy are detailed in the "Principal activities and review of business" section. The details on governance and risk management framework are also detailed in the preceding sections.

Section 172 statement

In overseeing delivery of OakNorth Bank's strategy, the Directors are mindful of their duties under the Companies Act 2006, including as set out in section 172.

The Board's principal duty is to create and deliver a sustainable business model by setting OakNorth Bank's strategy and overseeing its implementation. It does so with regard to the interests of investors, customers, communities, employees, the environment, regulators and suppliers.

The Board provides robust and independent challenges to the executive and management information it receives. It monitors, discusses and challenges the progress in the delivery of strategic initiatives through information packs, reports, enterprise-wide risk assessments and monitoring metrics it receives on a regular basis on all areas and from all stakeholders across the Bank.

The Bank continually maintains high standards of business conduct. As it defines our corporate values and sets the tone from the top, the Board sets clear expectations of conduct to the Executive Committees of the Bank. These are formally captured in the Vision, Values, Methods, Obstacles and Metrics ("V2MoMs") framework that it sets, and which applies to all teams and individuals within the Bank.

Throughout the year, the Board proactively engaged with the Bank's stakeholders in strategic matters, taking into account their interests, which are further discussed below. The impact of COVID-19 was felt across all business and operational areas of the Bank and a number of key actions and decisions taken by the Board reflected this.

Investors

The Board increased frequency of the review of the portfolio performance metrics, capital and liquidity position, stress testing, impact on customers, as well as operational business continuity metrics. Weekly Board discussions were held during the start of the lockdowns, which later moved to fortnightly before normalising to monthly.

The Board approved continuation of lending under the revised Credit Risk Appetite, which was tightened during the year. The Board approved the updated annual and long-term plan strategic plan, which was revised reflecting the impact of COVID-19, to ensure we deliver sustainable business growth to the investors in the Bank

It also approved the implementation of the enhanced PD/LGD framework and the addition of COVID overlay provisions, to ensure that the financial statements reflected the credit risks and the uncertainties due to COVID-19. The Board also focussed on several initiatives on governance, scalability, operational effectiveness and resilience including cyber-security.

The Board made no recommendations for any dividend payments for the year and the profit generated by the Bank continues to be fully reinvested in its operations.

Employees

The Board acknowledges the exceptional work of the OakNorth Bank team, whose dedication has enabled the Bank to build a strong and sustainable business that is enabling the Missing Middle around the UK to prosper. With the continued hard work of the employees, the Bank has continued to perform robustly through the current crisis.

The ExCo and the Board made the decision not to furlough staff or initiate redundancies because of the pandemic. Further, no salaries or bonuses were held back. The Bank's operational, IT and Cyber risk management infrastructure proved robust and throughout the lockdown, all teams across the Bank have been able to continue working remotely. Our offices remained open with COVID-safety measures implemented and were available to whoever could not work from home. Office equipment was made available for staff to help work from home.

Throughout the lockdown the Bank implemented a number of measures to support the well-being of employees, both through in-house initiatives as well as through specialist third-party providers. The Bank increased efforts on ensuring employees stay connected through our group-wide 'all parties calls', encouraging informal chats, offering peer support to whoever needed it, including launching an Employee Assistance Program. A number of staff support, and well-being programs were launched including- online team building, yoga, meditation and series on nutrition.

Customers

Fundamental to its business model is OakNorth Bank's commitment to putting customers at the heart of its business model and strategy, being transparent in its dealings with them, and delivering good outcomes for them.

Throughout the lockdown the Bank has ensured that the customer service standards were not impacted- both to our lending and deposit customers. The Bank continued supporting loan customers through ongoing engagement, availability of lending, including through participation in CBILS and CLBILS, supporting via payment holidays and renegotiating terms as appropriate.

The Board monitored the Bank's engagement with its customers through regular reports it received on customer Net Promoter Scores (NPS), and the volume of customer complaints. The scores from both the loans and deposit customers improved versus the prior year.

The Board continues to support the Bank's strategy for investing in technology to continually improve customer experience across all products. Investment is always made in technology that improves customer experience, enhances operational resilience and maintains the highest standards of risk management control.

The Bank is selective in the customers it accepts. A robust customer due diligence process is in place which employs a combination of advanced screening systems and the expert judgement of trained staff to support the highest compliance standards as to prevent financial crime.

Suppliers

Some of the suppliers to the Bank are key to the success of the Bank's operations. This includes support provided by other entities within the OakNorth group. As a philosophy, the Bank promotes a culture of 'One Team' across the whole group.

The Bank also has a robust Supplier Management policy in place, which serves to actively manage relationships with and the performance of all our service providers. As a provider of online financial services in the UK, the Bank's supply chain mainly consists of online IT-enabled services, enterprise and software service suppliers, as well as suppliers of office related goods in the UK.

During the year, the Bank enhanced its vendor due diligence process by including documentation of each suppliers' approach to modern slavery.

Regulators

The Board and the ExCo maintain an open and cooperative engagement with Regulators.

During the year, the Bank continued to engage proactively with the regulators ensuring that they were continually updated on the business and operational performance of the Bank. All regulatory requirements were identified, tracked and acted upon by the Bank on an ongoing basis. The Bank ensured that regulatory impact is considered throughout the Bank's activities.

Other non-financial disclosures

Communities and environment

At OakNorth Bank we believe strong business can only be done with care for customers, employees, communities and the environment.

We continued to deliver on our commitments to donate 1 percent of our group-level profits to support charitable causes and social enterprise. Over the past 12 months we have supported sourcing and distribution of PPE of over 70,000 items to hospitals and community centres and distributing over 84,000 meals for underprivileged families, in addition to providing continued support under a number of other initiatives including - creating and supporting opportunities for social mobility, female empowerment, increased engagement in the STEM subjects at schools, and the inclusive development of underprivileged communities globally.

As responsible business and lender supporting the Climate change management agenda, throughout 2020, we formalised our approach to Scope 3 (the impact of emissions from our clients), which we will launch in 2021. We continue to offset our estimated Scope 1 and Scope 2 emissions by investing in carbon offset projects.

Human Rights and Modern Slavery Act

OakNorth Bank is a provider of financial services and our supply chain primarily consists of online IT-enabled enterprise and software service suppliers , as well as suppliers of office related goods and services in the UK. The Bank sources its products and supplies from suppliers globally and expects that suppliers do not use any form of modern slavery and human trafficking. Since 2020 the Bank has enhanced its vendor due diligence process to ensure that the suppliers' approach to modern slavery is documented.

The Bank has assessed its employment arrangements and has determined that the risk of offences in relation to modern slavery being committed is low. Our Whistleblowing policy allows for anyone who has a concern to raise it anonymously and safely and any concerns raised are investigated and appropriate actions are taken.

Anti-Bribery and Corruption

The Bank has and Anti-bribery and Corruption policy which governs the operations of the Bank across all business areas and functions. It is OakNorth Bank policy to conduct its business in an honest and ethical manner. OakNorth Bank takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all relationships and business dealings, and to implementing and enforcing effective systems to counter bribery and corruption in all forms.

Directors’ Report

Directors

Rishi Khosla
Co-founder &
Chief Executive Officer
Appointed December 2013

Cyrus Ardalan
Chairman
Chair of the Board Remuneration &
Nomination Committee
Appointed June 2015

Joel Perlman
Co-founder &
Senior Managing Director
Appointed December 2013

Robert Burgess
Non-Executive Director
Chair of the Board Credit Committee
Chair of the Board Risk &
Compliance Committee
Appointed January 2015

Rajesh Gupta
Executive Director
Chief Financial Officer
Appointed February 2021

Navtej S Nandra
Senior Independent Director
Appointed June 2017
Chair of the Board Audit Committee
June 2017-November 2020

Cristina Alba Ochoa
Executive Director
Chief Financial Officer
Appointed April 2017
Resigned January 2021

Kasia Robinski
Non-Executive Director
Chair of the Board Audit Committee
Appointed November 2020

Edward Barry Berk
Notified Non-Executive Director
Appointed May 2017

Directors' Report

The Directors present their annual report on the affairs of OakNorth Bank plc (registered number: 08595042), together with the financial statements, for the year ended 31 December 2020.

Going concern

The Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future and that there are no material uncertainties to disclose. In making this assessment, the Directors have considered - the Bank's current available capital and liquidity resources, the credit quality of the loan book and over-all balance sheet; the business financial projections (including profitability, liquidity and capital resources and requirements), long term strategy of the Bank and the resilience and adaptability of the Bank's operational and IT infrastructure and that of its staff.

- The Bank continues to maintain surplus over the minimum regulatory capital and liquidity requirements. Additionally, the credit and operational performance measures continue to be well within the risk appetite metrics limits. All the metrics are monitored via monthly and bi-monthly MI reports reviewed by the Board.

- During the year, the Board approved the Bank's 5-year business plan and financial forecasts, which were revised down from the prior year, considering the impact of COVID. The stress testing and capital and liquidity planning performed as a part of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP) which were approved by the Board and submitted to the PRA, indicate adequate capital and liquidity buffers and ability to effectively manage stresses and resources.

- The ECL assessment based on the PD/LGD framework, the scenario weightings and the addition of the COVID overlay provisions based on additional granular loan book downside scenarios, provide the Board with the comfort that the credit risks have been appropriately assessed and quantified.

- The Bank's staff have been able to effectively continue working remotely and the Bank's IT and cyber security infrastructure proved to be robust. No material disruptions or operational risk events were noted during the year.

Financial Risk Management

The disclosures required to be included in the Directors' Report in respect of the Company's exposure to financial risk and its financial risk management policies are detailed in the Strategic Report, and additional information has been provided in the Notes to the financial statements. The Pillar 3 disclosures, including disclosures on OakNorth Bank's remuneration policy are available on OakNorth Bank's website- www.oaknorth.co.uk.

Stakeholder engagement

The disclosures required in respect of the Company's engagement with its key stakeholders including the investors, customers, suppliers, regulators, wider community and the environment - are provided under the "Section 172 statement" of the Strategic report.

Streamlined Energy and Carbon Reporting (SECR)

The following disclosures are presented pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"), implementing the UK government's policy on Streamlined Energy and Carbon Reporting (SECR). The SECR disclosures are not audited.

Organisational boundary

The disclosures made are for OakNorth Bank Plc. For transparency we have also included the impact from our key sister company – OakNorth Global Pvt Limited (India) (ONGPL) to the extent of services consumed by the Bank.

Reporting period

The reporting period is 1 January to 31 December each year.

Quantification and reporting methodology

We have utilised the energy consumption information provided by our energy suppliers for our buildings. In some cases we have used monthly averages to arrive at full year numbers for period for which data was unavailable (last quarter of the year). To convert our energy consumption to carbon footprint, we have used the 2020 country specific electricity grid greenhouse emissions factors' from carbonfootprint.com to translate /kWh into kgCO2e.

Information on business travel undertaken by the staff, including mileage, using their own cars or train and flights has been consolidated based from internal systems maintained by the Bank. The Bank does not own any vehicles. The data has then been used to convert into kgCO2e using the conversion factors published by the Department for Business, Energy & Industrial Strategy.

Calculations of emissions from ONGPL also include emissions from purchased electricity and business travel. Intensity ratio is computed based on average number of employees for both the Bank and ONGPL. This includes average employees at the Bank – 86 in 2019 and 94 in 2020 *plus* average number of employees at ONGPL servicing the Bank- 190 in 2019 and 203 in 2020.

	2020 (Tonnes CO2e)	2019 (Tonnes CO2e)
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities	-	-
Emissions from purchase of electricity, heat, steam and cooling purchased for own use	30	46
Emissions from employee business travel including flights, train, rental car, own car trips	42	98
Emissions from activities of key outsourcing supplier (ONGPL)	95	171
Total tCO2e	**167**	**315**
Intensity ratio - Tons of CO2e/yr by employee	**0.6**	**1.1**

The impact of Covid-19 has resulted in significant decrease in the emissions due to changes in working practices with reduced office occupancy and reduced business travel.

During the year the Bank continued to undertake a number of measures to minimise the carbon emissions. The OakNorth group continued to invest in carbon offsets to bring the Scope 1 and scope 2 emissions impact to nil. A number of other initiatives were implemented during the year, which are detailed in the Strategic Report.

Dividends

The Directors do not recommend a dividend during the year.

Directors' indemnities

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

Political contributions

No political contributions were made during the year.

Post balance sheet events

Please refer to note 31 in the Notes to the financial statements.

Future developments

Please refer to the Strategic Report.

Independent Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which OakNorth Bank's auditors are unaware; and
- the Director has taken all the steps that he/ she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information, and to establish that OakNorth Bank's auditors are aware of that information.

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

PricewaterhouseCoopers LLP (PWC) were appointed as the Bank's Auditors on 6 September 2018. Approval to reappoint PWC as auditors will be proposed at the next Board meeting.

Approved by the Board and signed on its behalf by:

Rishi Khosla
Chief Executive Officer & Co-Founder
5 March 2021

Financial statements

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain 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.

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

Rishi Khosla
Chief Executive Officer & Co-Founder
5 March 2021

Independent auditors' report to the directors of OakNorth Bank plc

Report on the audit of the financial statements

Opinion

In our opinion, OakNorth Bank plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2020; the profit and loss statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group headed by OakNorth Holdings Limited, of which the company is a member.

Other than those disclosed in note 2 to the financial statements, we have provided no non-audit services to the company in the period under audit.

Independent auditors' report to the directors of OakNorth Bank plc (continued)

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual report.
- The scope of our audit and the nature, timing and extent of our audit procedures were determined with consideration of our risk assessment, the financial significance of account balances, and other qualitative factors.
- Audit procedures were performed over all account balances and disclosures which are considered material and/or represent a risk of material misstatement to the annual report.

Key audit matters

- Impairment of loans and advances to customers
- Impact of Covid-19

Materiality

- Overall materiality: £3,879,000 (2019: £3,272,000) based on Profit before tax of 5%.
- Performance materiality: £2,909,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Financial Conduct Authority's regulations and the Prudential Regulation Authority's regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in assumptions used in critical accounting estimates and posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Review of key correspondence with and reports to regulators;
- Review of internal audit reports in so far as they related to the financial statements;

Independent auditors' report to the directors of OakNorth Bank plc (continued)

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging significant accounting estimates and judgements made by management, in particular in relation to impairment of loans and advances to customers (see related key audit matter below); and.
- Testing of journal entries which contained unusual account combinations back to corroborating evidence.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of Covid-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
An impairment provision of £32.8m (2019: £11.3m) was charged on loans and advances to customers in the year. Under IFRS 9, impairment losses are recognised on an 'expected credit loss' (ECL) basis which requires the use of forward looking information, reflecting management's view of potential future economic scenarios. The standard also requires management to make judgements regarding when a loan has experienced a 'significant increase in credit risk'.	We tested the completeness and accuracy of data used in the model, including reconciliations and agreeing a sample of cases to underlying documentation. We assessed whether the IFRS 9 ECL model methodologies developed by management are appropriate, making use of our credit risk modelling specialists and our industry knowledge. We tested a sample of loans in stage 1 to determine whether these have experienced any of the trigger events which show a significant increase in credit risk (SICR). For stage 2 loans, we tested a sample of loans to verify the correct application of the SICR criteria.
The ECL for Stage 1 and Stage 2 loans is calculated by impairment models which use	We compared management's forward-looking economic assumptions to alternative external

Independent auditors' report to the directors of OakNorth Bank plc (continued)

judgemental assumptions regarding expected customer default rates and loss given default. Overlay provision charged during the year amounts to £17.4m (2019: Nil). Management also apply judgemental adjustments or overlays where they believe the model calculated assumptions and allowances are not appropriate, either due to emerging trends or model limitations. There has been an increase in the use of judgemental adjustments to modelled ECLs in the current year which reflects the fact that the historical data used in the development of the models does not capture all the conditions of the COVID-19 pandemic experienced during 2020. Our work therefore focused on the appropriateness of modelling methodologies adopted and significant judgements made in determining and measuring the model overlay. Individual impairment assessments are performed for credit impaired loans and advances (which are categorised as Stage 3 loans). Judgement is required to estimate the level of any provision for these loans. Our focus was on the principal assumptions applied by management such as the valuation of collateral, forecast cash flows and the reasonableness of the probability weighting of expected outcomes. Further information can be found on Note 1 to annual report which, which includes the directors' disclosures of the related accounting policies, judgements and estimates; and in Note 10 for detailed disclosures.	forecasts to assess their reasonableness. The severity and magnitude of the alternative scenarios used within the model were compared to external stress scenarios and data from historical economic downturns to determine whether they represented sufficient stresses to meet the requirements of the standard. We used this analysis to test the reasonableness of management's assigned weightings to each scenario in the ECL calculation. We tested the completeness and accuracy of data used in the overlay provision calculation to underlying source documentation and tested the mathematical accuracy of the overlay provision calculation. We selected a sample of loans to determine the methodology used in the overlay provision assessment is appropriate. We performed stress testing on key assumptions in the overlay provision to assess their reasonableness along with assessing them against the forecast macroeconomic environment and other historic economic downturns. For individually impaired loans, we evaluated the specific circumstances of the borrower, including the latest developments, scenarios and weightings assigned for measuring the impairment provision, and whether key judgements were appropriate. This included considering the impact of possible alternative scenarios on the provision. We challenged management on disclosures in the financial statements as part of our audit procedures and assessed them to be appropriate. Overall, based on the procedures performed and the evidence obtained, we found management's judgements used in the determination of ECLs to be reasonable.
Impact of Covid-19 The Covid-19 pandemic has disrupted financial markets and normal patterns of human behaviour during the year. This is translating	We engaged with the management in a manner consistent with our previous audits, albeit remotely using video and telephone calls. Substantially all of

into adverse impacts on the UK economy and uncertainty in the UK housing market. In response, the UK Government and the financial services regulators have announced measures to support borrowers and firms alike. The directors have specifically considered the impact on the financial statements as it gives rise to greater levels of uncertainty in the following areas; The going concern assessment of the Company and its longer-term financial sustainability; and The impairment of loans and advances to customers (considered within the key audit matter above). We considered the impact of Covid-19 to be an area of greater risk due to the potential for it to have pervasive implications on the Company. The directors' disclosures explaining how the pandemic has impacted the company are included in page 20 of annual report. Disclosures relating to the appropriateness of the use of the going concern basis of preparation and the considerations made by the director's when drawing this conclusion are given in Note 1 of the annual report.	the information and audit evidence we need for the audit is provided in electronic format. We shared information, including the audit evidence provided to us, using share-screen functionality in video calls and our secure encrypted information sharing software. We assessed the directors' conclusions on their going concern assessment and consideration of the impact of Covid-19 on the annual report. We challenged management's liquidity and capital forecasts for their reasonableness. We challenged the year end value of impairment recognised on the loans and advances to customers given the potential impact of the pandemic on customer behaviour, and audited the appropriateness of the assumptions used within their forecasting, as explained by the above key audit matter. We considered the appropriateness of the disclosures made by the directors as it relates to the potential impact of Covid-19 on the company. Based on our procedures performed and the information arising at the time of the directors' approval of the annual report, we have not identified any matters to report with respect to the use of the going concern assumption.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates. At the planning stage we obtained an understanding of the entity and its environment, considering the company's operations, ownership and governance structures, accounting framework, selection of accounting policies and the company's objectives and strategies. We obtained an understanding of the internal control environment, including in relation to IT. Industry level factors were also considered, including applicable laws and regulations. Based on these initial planning procedures, we performed our risk assessment at the account balance and assertion level, considering the risks of material misstatement through fraud or error. The scope of our audit and the nature, timing and extent of our audit procedures were designed, planned and executed with consideration of our risk assessment, the financial significance of account balances, and other qualitative factors (e.g. history of error or misstatements). We performed audit procedures over all account balances and disclosures which we considered to be material and/or represent a risk of material misstatement to the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall company materiality	£3,879,000 (2019: £3,272,000).
How we determined it	Profit before tax of 5%
Rationale for benchmark applied	Profit based materiality is considered to be the most appropriate benchmark to use for the company, as the users of financial statements remain focused on the company's performance. Profit before tax is used is assessed to be the appropriate benchmark which is consistent with the materiality benchmark used in the prior year.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £2,909,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £193,000 (2019: £164,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Assess and challenge key assumptions used by directors in their determination of the going concern of the company;
- Assess the liquidity and capital forecasts prepared by management to support the going concern assessment with stress testing performed to challenge their reasonableness;

- Corroborated legal and regulatory correspondence with audit procedures performed to ensure that there are no compliance issues which may impact the going concern of the company;
- Consider the impact of Covid-19 on the business, and whether any further risks to going concern have arisen as a result; and
- Consideration as to whether our audit procedures have identified events or conditions which may impact the going concern of the company

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditors’ report to the directors of OakNorth Bank plc (continued)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company’s directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the directors of OakNorth Bank plc (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 6 September 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2018 to 31 December 2020.

Daniel Brydon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

5 March 2021

Profit and loss statement

For the year ended 31 December 2020

OakNorth Bank plc (registered number: 08595042)

	Note	2020 (£'000)	2019 (£'000)
Interest receivable		166,433	130,792
Interest payable		(35,331)	(34,968)
Net Interest income		**131,102**	**95,824**
Fees and commission		9,014	8,517
Net interest and Fee income		**140,116**	**104,341**
Administrative expenses		(39,512)	(32,098)
Depreciation and amortisation	12, 13	(1,433)	(1,487)
Provision for impairment losses	10	(21,588)	(4,890)
Operating expenses and provisions		**(62,533)**	**(38,475)**
Profit from ordinary activities before tax		**77,583**	**65,866**
Taxation	3	(19,049)	(15,890)
Profit after tax from ordinary activities		**58,534**	**49,976**

The profit for the year derives wholly from continuing operations.

The notes on page 56 to 90 form a part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2020

OakNorth Bank plc (registered number: 08595042)

	2020 (£'000)	2019 (£'000)
Profit after tax	**58,534**	**49,976**
Fair value changes on financial assets at FVOCI (net of tax)	24	22
Total comprehensive income for the year attributable to equity shareholders	**58,558**	**49,998**

The notes on page 56 to 90 form a part of these financial statements.

Balance sheet
As at 31 December 2020

OakNorth Bank plc (registered number: 08595042)

	Note	2020 (£'000)	2019 (£'000)
Assets			
Cash and balances at central bank		469,459	540,035
Loans and advances to banks	8	11,532	11,298
Loans and advances to customers	9, 10	2,492,249	2,062,985
Debt Securities	11	131,053	105,337
Intangible assets	12	168	204
Tangible fixed assets	13	1,246	2,597
Deferred tax assets	3	870	552
Prepayments and accruals	14	4,174	946
Other assets	15	5,465	5,970
Total assets		**3,116,216**	**2,729,924**
Liabilities			
Customer deposits	16	2,313,628	1,986,639
Borrowings under BOE Term funding scheme	17	181,796	182,013
Subordinated debt (Tier 2)	18	49,559	49,459
Trade payables and other provisions	19	24,363	16,894
Other liabilities	20	18,193	24,813
Total liabilities		**2,587,539**	**2,259,818**
Capital and reserves			
Called up share capital	26	389,320	389,320
Share-based payments	5	79	66
Retained earnings	27	139,278	80,744
Other comprehensive income relating to financial assets at FVOCI		-	(24)
Total capital and reserves		**528,677**	**470,106**
Total liabilities and capital and reserves		**3,116,216**	**2,729,924**

The notes on page 56 to 90 form a part of these financial statements. The financial statements of OakNorth Bank plc were approved by the Board of Directors and authorised for issue on 5 March 2021. They were signed on its behalf by:

Rishi Khosla
Chief Executive Officer & Co-Founder

Joel Perlman
Senior Managing Director & Co-Founder

Rajesh Gupta
Chief Financial Officer

Statement of changes in equity

For the year ended 31 December 2020

OakNorth Bank plc (registered number: 08595042)

	Called up Share Capital	Retained earnings[a]	Financial assets at FVOCI	Share- based payment	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2019	**299,320**	**30,768**	**(46)**	**48**	**330,090**
Issue of share capital	90,000	-	-	-	90,000
Total comprehensive income for the year	-	49,976	22	-	49,998
Employee share-based payments	-	-	-	18	18
As at 31 December 2019	**389,320**	**80,744**	**(24)**	**66**	**470,106**
As at 1 January 2020	**389,320**	**80,744**	**(24)**	**66**	**470,106**
Issue of share capital	-	-	-	-	-
Total comprehensive income for the year	-	58,534	24	-	58,558
Employee share-based payments	-	-	-	13	13
As at 31 December 2020	**389,320**	**139,278**	**-**	**79**	**528,677**

[a]The retained earnings form the distributable reserves of OakNorth Bank Plc

The notes on page 56 to 90 form a part of these financial statements.

Cash flow statement

For the year ended 31 December 2020

OakNorth Bank plc (registered number: 08595042)

	2020 (£'000)	2019 (£'000)
Profit from ordinary activities before tax	**77,583**	**65,866**
Adjustments for		
Depreciation and amortisation	1,433	1,487
Expected credit loss allowance	21,588	4,890
Share-based payment to employees	13	18
Net change in other assets/ liabilities	(3,300)	8,706
Increase in loan receivables	(450,852)	(769,938)
Increase in customer deposits	326,989	800,779
Income taxes paid	(17,948)	(12,312)
Interest received on investing cash flows	(446)	(713)
Interest paid on financing cash flows	4,475	5,396
Net cash flows generated from operating activities	**(40,465)**	**104,179**
Purchase of property, plant and equipment, implementation of software and intangible assets	(46)	(551)
Purchase of debt securities	(262,057)	(105,826)
Proceeds from maturity of debt securities	229,000	103,000
Interest on debt securities	7,817	2,652
Net cash flows used in investing activities	**(25,286)**	**(725)**
Interest on TFS and subordinated debt	(4,591)	(5,396)
Proceeds on issue of shares	-	90,000
Net cash flows generated from financing activities	**4,591**	**84,604**
Net increase in cash and cash equivalents	**70,342**	**188,058**
Cash and cash equivalents at beginning of year	551,333	363,275
Cash and cash equivalents at end of year	**480,991**	**551,333**
Reconciliation to cash at banks		
Cash and balances at central bank	469,459	540,035
Loans and advances to banks	11,532	11,298
Total	**480,991**	**551,333**

The notes on page 56 to 90 form a part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding reporting period, unless stated otherwise.

1.1 General information and basis of accounting

OakNorth Bank Plc (registered number: 08595042), herein referred to as 'the Bank', is incorporated in the United Kingdom under the Companies Act 2006. The nature of OakNorth's operations and its principal activities are set out in the Strategic report and Directors' report. The Bank is a Public limited Company- however the Bank's equity is not listed on an exchange. The Bank is a wholly owned subsidiary of OakNorth Holdings Limited (see note 30). The Bank has issued Subordinated Notes which are listed on Irish Stock Exchange (ISE) (see note 18).

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. On 1 January 2019, the Bank adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments: Recognition and Measurement', based on the accounting policy choice permitted under FRS 102[16]. According to the requirements of IFRS 9, impact of the transition had been recognised in the opening retained earnings of the year ended 2019.

The functional currency of OakNorth Bank is considered to be pounds sterling because that is the currency of the primary economic environment in which OakNorth Bank operates. The financial statements are presented in pound sterling and rounded to thousands.

1.2 Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that OakNorth Bank has adequate resources to continue operating in the foreseeable future. In making this assessment, the Directors have considered –

- the Bank's available capital and liquidity resources and surplus over the requirements- the levels of which remain sufficiently robust after incorporating the impact of Covid-19;
- the credit quality of the loan book and over-all balance sheet. The Board reviews the monthly credit MI packs to enable review and monitoring of the performance of the loan book and portfolio metrics as measured against the risk appetite limits;
- the adequacy of ECL provisions. The Board considers the macroeconomic assumptions, scenarios and weightings applied under the enhanced PD framework, which has loss data and scenarios calibrated using third-party sources, supplemented with the granular sub-sector level downside scenarios applied on the whole loan book using OakNorth's proprietary ON Credit Intelligence Suite CVR framework, as comprehensive consideration to compute the ECL provisions as at 31 December 2020;
- the Bank's business strategy and its short term (12 month) and long range (5 year) financial plan which has considered the implications of Covid-19. The Board undertook a review of the Bank's strategy and

[16] Financial Reporting Council: Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Triennial review 2017 Incremental improvements and clarifications (December 2017)

believes that the Bank has a robust business model to enable it to continue growing in the future. The growth projections were revised down from the year before, factoring the impact of COVID in the economy;

- the Bank's risk appetite limits. The Board reviewed and tightened a number of risk appetite metrics. The Bank's performance against the metrics across all the risk areas remained well within limits;
- the stress testing and capital and liquidity planning performed as a part of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP), which were approved by the Board and submitted to the PRA, indicate adequate capital and liquidity buffers and ability to effectively manage stresses and resources. A number of severe and plausible scenarios were considered as part of the stress testing process including a combination of severe idiosyncratic and macroeconomic and COVID scenarios. Capital reverse stress tests were also assessed and reviewed by the Board , albeit the scenario was considered as unlikely;
- the resilience and adaptability of the Bank's operational and IT infrastructure. The Bank's operational and IT infrastructure proved robust with no material issues noted and the staff continued to work from home; and
- the Bank did not need to furlough any staff or defer any tax payments.

Information on OakNorth Bank's business strategy, performance and outlook are detailed in the Chairman's statement, Chief Executive's review and the Strategic Report. The Strategic report further details the key risks faced by OakNorth Bank and mitigants and provides an overview of OakNorth Bank's Risk Management Framework.

1.3 Changes in accounting policies

The Bank adopted IFRS 9 'Financial Instruments' effective 1 January 2019. There were no other changes to the accounting policy during the current financial year (2020).

1.4 Tangible fixed assets

Fixtures, fittings and office equipment and Computer and IT equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Computer and IT equipment includes laptops, desktops, software, licences and core banking platform. Consultancy and other costs incurred in acquiring and developing software for internal use which is directly attributable to the functioning of the computer hardware is capitalised as tangible fixed assets where software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures, fittings and office equipment	5 years
Computers and IT equipment	3 - 5 years
Leasehold improvements	lesser of the lease term or useful life

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales' proceeds and the carrying amount of the asset and is recognised in income.

1.5 Intangible fixed assets

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following basis:

Banking Licence	10 years

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

1.6 Impairment of tangible and intangible assets

At each balance sheet date, OakNorth Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. There may be other qualitative factors also considered in the assessment depending on the relevance to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a reduction to the revalued amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Financial instruments

1.7.1 Recognition and derecognition of financial instruments

Financial instruments are recognised at trade date, being the date on which OakNorth Bank commits to purchase or sell the instruments. OakNorth Bank initially recognises loans and advances, deposits, and other market borrowings debt securities issued and subordinated liabilities on the date of origination at fair value. Management determines the classification of financial assets at initial recognition based on the applicable accounting standards (IFRS 9 for period commencing 1 January 2019).

The financial assets are de-recognised when the rights to receive cash flows have expired or OakNorth Bank has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised from the balance sheet when the Bank has discharged its obligations, the contract is cancelled, or the contract expires.

1.7.2 Modifications of loans under IFRS 9

The Bank may renegotiate/ modify the contractual cash flows of the loans to customers. Accordingly, the Bank assesses whether the new terms are substantially different from the original terms. This includes whether – borrower is in financial difficulty or not, the new terms substantially affect the purpose/ risk profile of the loan, significant extension of the loan when the borrower is not under financial difficulty, significant changes in the interest rate, collaterals/ credit enhancements associated with the loan or any other factors that may be relevant to the loan.

Where the terms are substantially different, the Bank derecognises the old asset and recognises the new financial asset at a new effective interest rate (EIR). The Bank also assesses whether the new loan is deemed credit impaired at initial recognition. Where the terms are not substantially different, the differences in carrying amount are recognised in the profit and loss statement as modification gain/ loss.

1.7.3 Loan write off

The Bank may write off financial assets fully or partially, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. This may include loans that are still subject to enforcement activity. There were no loans written off during the year (2019: nil).

1.7.4 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, on the measurement date. This is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible.

When independent prices are not available or if the market for a financial instrument is not active, fair values are determined by using valuation techniques. These may refer to observable market data, comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. However, some of the inputs to the techniques may be based on unobservable data, e.g. in case of unlisted entities, if there is little or no current market data available, in which case valuation adjustments are done to reflect uncertainties in fair values resulting from a lack of market data inputs.

1.7.5 Amortised cost and effective interest rate (EIR) method

Amortised cost is the amount at which the financial instrument is measured at initial recognition, less the principal repayments, cumulative (net) amortisation using effective interest rate method of any difference between the initial amount and the maturity amount and, adjusted for any loss allowance for financial assets.

Under IFRS 9, where there is a change in the estimates of the future cash flows, the carrying amount of the financial instrument is adjusted to reflect the new estimated discount using the original EIR. Any changes are recognised in profit and loss statement.

1.7.6 Classification of financial instruments

1.7.6.1 Classification under IFRS 9

The financial assets are classified into the following categories under IFRS 9

- Measured at amortised cost
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through profit or loss (FVPL)

The criteria applied to determine the classification and measurement is as follows:

- Business model test: Whether an entity manages the financial assets in order to generate cash flows by collecting contractual cash flows or selling financial assets, or both. To determine the classification, OakNorth Bank has used the used both past experience and intent of how the asset is expected to be managed/ held. As such, currently the Bank originates loans to collect the contractual cash flows.

- SPPI test: whether contractual cash flows only comprise of solely principal and interest payments (SPPI) per the basic lending arrangements; interest includes only consideration for the time value of money, credit risk, cost of funding and a profit margin consistent with a lending arrangement.

OakNorth Bank has measured assets that meet the business model test of holding the assets for collection of contractual cash flows and meet the SPPI test, at amortised cost.

1.7.7 Loans and advances to customers

OakNorth Bank's Loans and advances to customers are classified as held at amortised cost, in line with the criteria defined above. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using EIR method. Loans and receivables are stated after deduction of amounts which are required as expected credit loss allowance. The Bank's policy in relation to determination of the ECL allowance are detailed separately in the Notes to the financial statements.

1.7.8 Debt securities

Debt securities held by the Bank may be classified as held at amortised cost, FVOCI or FVPL. Currently all the debt securities held by the Bank are entirely composed of UK GILTS. While the Bank holds these debt securities to collect contractual cashflows, these may be sold if the need arises for the purposes of liquidity management by the Treasury function of the Bank. The cash flows on these securities also meet the SPPI test. Therefore, **OakNorth Bank has classified the debt securities as FVOCI.**

Debt securities held at FVOCI are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at fair value with gains/ losses recognised in other comprehensive income. Interest is calculated using EIR method. Impairment losses are required to be recognised by transferring the expected credit loss that has been recognised directly in equity to profit and loss statement. If, in a subsequent period, the fair value increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value is recognised directly in equity since it cannot be reversed through the profit and loss statement.

The Bank does not hold any debt securities at FVPL as there are no eligible debt securities held for trading under the current business model.

The Bank reclassifies debt securities only when the business model for managing those assets changes. The Bank does not expect such changes in the near future, and none occurred during the period.

Fair Value hierarchy in relation to measurement of fair value of debt securities: Investment securities are classified as Level 1 if their value is evidenced by a quoted price in an active market where the transactions occur on arm's length basis with sufficient volume and frequency.

The Bank values the debt securities at the quoted market prices and any changes to the fair value are recorded in other comprehensive income.

1.7.9 Financial liabilities

All financial liabilities on the balance sheet of OakNorth Bank are classified and subsequently measured at amortised cost.

1.8 Expected credit loss charge on assets held at amortised cost

OakNorth Bank assesses on a forward-looking basis, the Expected Credit Loss (ECL) on the financial assets held at amortised cost and FVOCI, including the exposure arising from loan commitments. This includes provision for lifetime ECL where the risk on the asset has significantly increased.

ECL is computed as: exposure at default (EAD) x probability of default (PD) x loss given default (LGD). Depending on the staging of the loan, the ECL is either 12 month or lifetime. The ECL assessment is done at an individual loan level.

A number of significant judgements are required for measurement of ECL. This includes:

- Determining the criteria for significant increase in credit risk (SICR), in addition to the backstop triggers specified under IFRS 9;
- Choosing appropriate PD/LGD framework and assumptions; and
- Determining forward-looking scenarios and weightings

i. Staging approach based on credit quality of loans

IFRS 9 requires the loans to be classified into 3 stages for assessment of impairment:

1. Financial instruments that are not credit impaired at initial recognition are classified as 'Stage 1'. Instruments in Stage 1 have ECL measured for next 12 months. These accounts are monitored on an ongoing basis to ensure that there is no significant increase in the credit risk. Where there is an increase in the credit risk, the account is re-assessed and moved into Stage 2 if triggers are met.

2. Financial instruments where there is significant increase in the credit risk is classified as 'Stage 2'. The ECL for Stage 2 accounts is measured on a lifetime basis.

3. Financial instruments that are deemed credit-impaired is classified as Stage 3. The ECL for Stage 3 accounts is also measured on a lifetime basis and the interest is recognised net of expected credit losses.

OakNorth Bank does not have any purchased or originated credit-impaired (POCI) assets - i.e. financial assets that have been purchased and had objective evidence of being "non-performing" or "credit impaired" at the point of purchase.

The criteria for stage 2 and 3 are determined in accordance with the Credit Risk Management policy of the Bank. The approach considers both quantitative and qualitative triggers. IFRS9 backstop criteria of 30 days past due for Stage 2 and 90 days past due for Stage 3 continue to apply for all non-COVID impacted cases. For cases impacted due to COVID-19 and have availed government supported measures such as payment holidays, deferrals, refinancing, or additional lending under CBILS or CLBILS- these loans are not automatically moved to Stage 2 or 3. The loans are assessed individually if the temporary support measures enable the borrower to revert to standard credit risk metrics over a certain period of time and there is no significant increase in credit risk, in which case they are not classified as Stage 2. They are, however, subject to intensive monitoring procedures and periodic stress testing using the Bank's CVR framework. All loans disbursed under the CBILS or CLBILS have been classified as Stage 1.

Further information on the Bank's credit monitoring procedures and credit risk management is provided in the 'Credit Risk' section of the 'Risk Management Framework' note.

ii. Probability of default (PD)

During the year the Bank updated the PD/LGD information solution for real estate and cash-flow based trading business from third-party data. Due to OakNorth Bank's limited trading history and no realised losses till date, the Bank does not have its own loss data to calibrate an internal assessment of PD and LGD. As a result, the Bank uses external data sources to calibrate the PD score for each loan individually. This is supplemented by a quantitative and qualitative assessment of each individual exposure, which includes (but is not limited to) information on key financial metrics, business performance, the quality of collaterals, business and borrower profile. The PDs used for computing the ECL provisions are based on scenario weighted macroeconomic forecasts.

Real estate PDs : As large part of the Bank's lending exposure is to the real estate and construction sector; the Bank has utilised third-party scenarios for computing the scenario-based forward-looking PDs for its real estate book- with judgement applied on the probability weighting of the scenarios. The third-party real estate information includes calibration of the PDs under three scenarios for the real estate loan book, which includes no growth, mean -reverting and market crash. These third-party scenarios assume forecasts of real estate market factors including - vacancy rates, rent, net operating income, yield/price assumptions- which are offered as a part of the solution. These factors are determined by property type/sub-types, location etc. These scenarios do not directly link to macro-economic variables, however, are specific to the changes in the listed real estate market factors:

- No growth scenario: Under this scenario, no-growth is assumed in real estate market factor levels from current market conditions. The Bank has assigned no weighting to this scenario.
- Mean Reverting (baseline): Under this scenario, the key market factors are assumed to revert to their historical mean from the current state. The Bank has assigned 60% weighting to this scenario.
- Market Crash (severe) : Under this scenario, deterioration of the factors is considered under extreme, but plausible adverse market events. The Bank has assigned 40% weighting to this scenario.

The scenarios applied on the year-end loan book were based on the updates released by the third-party in the 2020 summers, which incorporated the impact of COVID on the real estate market.

Cash-flow backed/ trading book PD information: For the cash-flow backed lending/trading book, the Bank has used regression-based analysis of the external PDs obtained from the third-party, under a combination of macroeconomic variables forecast scenarios. The Bank has applied judgement on the choice of the key macroeconomic variables, scenarios and the probability -weighting of the scenarios. The key variables the Bank considers as relevant for the portfolio include GDP, HPI growth, BOE base rate, CPI growth and Unemployment, the highest weight being assigned to GDP.

The scenarios include baseline, adverse and severely adverse scenarios. The Bank has utilised forecasts for the UK economy published by HM treasury, which contains a comparison of independent forecasts to estimate the forecasted variables for the scenarios.

Scenarios Average 2021 – 23	Baseline	Adverse	Severely adverse
GDP growth	3.8%	2.9%	1.9%
UK Unemployment	5.1%	6.5%	7.9%
HPI Growth	3.6%	1.7%	-0.3%
BOE base rate	0.1%	0.06%	0.03%
Weighting	**60%**	**30%**	**10%**

iii. Loss given default (LGD)

The Bank uses expert judgement-based haircuts applied on valuations depending on the collateral type, to determine the LGD for each loan. The primary collateral type for the Bank's lending exposures is real estate and the haircut applied reflects loss in collateral value including costs of realising the collateral. The LGD is calibrated using the third-party solution.

iv. Exposure at default (EAD)

This includes all current outstanding balances and judgement-based estimates of drawdowns on undrawn loan commitments. Expected repayments/ prepayments are currently not considered and as such we believe the calculation is conservative in that regard for computing the ECL. Each drawdown request by the borrower is specifically approved by the Head of Credit Risk or Head of Monitoring. The Bank does not normally allow any drawdowns for exposures that have or are expected to breach financial covenants or are not in compliance of conditions of draw-down.

The undrawn loan commitments are separately identified and the ECL allowance on these is recognised as part of 'Other liabilities'. The ECL on the drawn balances is reduced from the gross carrying value of the loans.

v. COVID ECL Overlay provisions

In addition to the provisions booked under the PD/LGD methodology, the Bank has booked an additional COVID expected credit loss overlay provisions.

In the past 12 months, macro-economic forecasting has been unreliable and historic relationships/correlations have broken due to COVID-19. The lockdowns have resulted in structural changes in the economy, including changes in consumer behaviour, the way businesses operate, and the unprecedented fiscal support measures implemented by the government. Further, the environment has impacted different sub-sectors of the economy in very varied ways. As a consequence, the existing industry PD/LGD outputs are not able to capture the heightened risks due to COVID, and may therefore, not accurately represent the level of expected credit losses.

To address these risks, the ON Credit Intelligence Suite's COVID Vulnerability (CVR) framework was implemented at the Bank in early 2020, which has enabled the Bank to run a sophisticated downside scenario modelling approach on the entire loan book, which is more granular than industry PD/LGD outputs.

- The CVR framework provides us with granular sub-sector based forward-looking scenarios, which enable the Bank to run 'bottom-up' stresses on the loan book at an underlying borrower level.
- These scenarios help assess the performance of each borrower through the various stages of impact, including- waves of COVID-19 and lockdowns, short-term reboots and the 'new normal', factoring the impact of structural changes. They help forecast cash-flow curves, revenue curves and a number of performance metrics for each borrower.
- The outcomes for each borrower indicate potential levels of losses under different scenarios. These outcomes are probability weighted to determine the IFRS9 COVID overlay provisions. The weightings assigned to the scenarios are based on management judgement.

Specifically, the overlay approach, therefore, addresses the following key forward-looking gaps and uncertainties in the assessment of ECL provisions under IFRS9 which includes potential future SICR, as well as increase in potential losses for each borrower:

- Future performance evolution (cash flow forecasts, coverage ratios etc) of the underlying loan book under different scenarios, considering impact of various COVID specific factors including application and unwinding of fiscal support measures and near and long-term adaptability of client business models.
- Potential inability of industry PD frameworks to assess with adequate granularity, the impact of COVID across industry sectors and sub-sectors due to the unprecedented levels of shock and unanticipated levels of fiscal support, and accelerated shifts of behaviours/business models triggered during the COVID pandemic. For example, the experience of an airport or conference hotel catering to business travellers throughout this crisis will likely have been very different to an aparthotel or destination

resort catering to domestic tourists. Yet, all of these would typically be classified as "hospitality" businesses.

- Scenarios factoring both without and with management actions.
- Stressed views of collateral cover, including evaluating any additional funding requirements for clients and/or increase in exposure due to cost over-runs, simultaneously with potential deterioration of collateral value.

Expert credit judgement has been used in the design of the scenarios. For 2020, three scenarios have been considered which include- scenario based on BOE macroeconomic forecasts which has been assigned 20% weighting and ON Credit Intelligence Suite’s CVR scenarios without and with management actions, which have been assigned 50% and 30% weightings.

The ECL provisions output from the PD/LGD framework and the COVID overlay provisions determined using the CVR framework are both reviewed together monthly by the ExCo and quarterly by the Board to ensure these reflect the Bank’s assessment of the expected performance of the entire loan book.

1.9 Sale and repurchase transactions

Securities sold by OakNorth Bank under agreements to repurchase continue to be recognised as assets on the balance sheet and the associated liability is also recognised on the balance sheet. Similarly, securities purchased under commitments to sell are not recognised on the balance sheet. As at 31 December 2020, the Bank did not have any repos outstanding.

1.10 Bank of England “Term Funding Scheme” (TFS)

OakNorth Bank is an approved participant under the “TFS” scheme. The borrowing is collateralised against UK GILTS and the Bank’s loan book. As OakNorth Bank retains the ownership of the eligible collateral assets, and therefore, all associated credit risks and ownership of the cash flows from those assets - any collateral placed with the Bank of England continue to be recognised as an asset on the balance sheet and any funding raised is recognised as liability. The liability is measured at amortised cost under IFRS 9.

1.11 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. In the UK, this includes additional levies such as the Banking Corporation Tax Surcharge of 8% which are levied on a bank’s taxable profits over £25 million.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1.12 Revenue recognition

Interest income and interest expense are recognised in the profit and loss statement as accrued using EIR method. The EIR is the rate which discounts the expected future cash flows, over the expected life of the financial instrument, to its net carrying value. Fees which are an integral part of the EIR of a financial instrument are amortised over the expected life of the instrument. When calculating the EIR, OakNorth Bank estimates the future cash flows considering all contractual terms of the financial instruments but not the credit losses. The EIR is established on initial recognition (or upon reclassification) of the financial asset and liability and is not revised subsequently. For financial assets that are subsequently deemed as credit-impaired, interest income is calculated by applying the EIR to their amortised cost net of expected credit loss provision.

Fees and commission are recognised in the profit and loss statement when the service has been rendered, except when those fees are an adjustment to the yield on the related asset. Fees and commissions and transaction costs payable on borrowings are expensed to the profit and loss statement over the life of the borrowing raised using the EIR method and are included in interest expense.

Fees and commissions relating to undrawn commitments are amortised over the life of the commitment to the profit and loss statement and recognised in Other liabilities.

1.13 Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which OakNorth Bank operates (its functional currency).

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates as at the balance sheet date and the translation gains or losses are recognised in the profit and loss statement. Income and expenses denominated in foreign currencies are converted into the functional currency at the exchange rate at the date of the transaction.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1.14 Leases

Operating lease rentals are charged to the profit and loss statement on a straight-line basis over the non-cancellable lease term provided the same is ascertainable unless another basis is more appropriate.

1.15 Employee benefits

Pension scheme costs

OakNorth Bank offers a defined contribution pension scheme for its employees. Any contributions made by OakNorth Bank are charged to operating expenses as incurred.

Share-based award

OakNorth Holdings Limited, the Holding Company of the Bank, issues shares to some of OakNorth Bank's employees, subject to vesting conditions. The vesting is subject to business performance conditions which must be met. The expenses are recognised in the P&L for the fair value of the shares over the vesting period by credit to equity. If an employee leaves, the unvested shares are bought back by the Holding Company and the reserves in equity are reversed.

1.16 Other Provisions (excluding loan expected credit loss charge)

Provisions are recognised when OakNorth Bank has a present obligation (legal or constructive) as a result of a past event; it is probable that OakNorth Bank will be required to settle that obligation and, a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the balance sheet date, taking into account any risks and uncertainties in relation to the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, where the effect of time value of money is material, the carrying amount is computed as the present value of those cash flows. As at 31 December 2020, the Bank did not have any other provisions on the balance sheet (2019: nil).

1.17 Charitable donations

Charitable donations are accounted for as an expense when paid and included as a part of the operating expenses in the profit and loss statement.

1.18 Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs, if any, directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

1.19 Critical accounting judgements and key sources of estimation uncertainty

In the application of OakNorth Bank's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimation uncertainty, that the Directors have made in the process of applying OakNorth Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. These relate to assessment of the **Allowance for expected credit losses** on the loan book. As detailed in note 1.8, there are a number of components to the calculation of expected credit losses on the loan book and there are a number of areas of judgement and uncertainties in relation to those, which are also summarised below. Further details on credit risk management are also detailed in note 25.

- **Determining the staging of the loans:**

The criteria for stage 2 and 3 consider both quantitative and qualitative triggers, in addition to the backstop triggers under IFRS 9. The thresholds for the triggers are set by the management based on the expert view of the Credit Risk function. The Credit Risk Management Committee (CRMC) approves the staging of the loans, in line with the credit risk management policy.

As detailed in note 1.8, borrowers that were not in arrears pre COVID and have availed support measures such as payment holidays or deferrals or loans under CBILS / CLBILS, have not automatically been subject to staging changes. Given the continued rapid changes in the economy, impact of multiple lockdowns has resulted in different businesses adapting differently. The Bank monitors these exposures intensively to ensure that there is no significant increase in the credit risk of such exposures.

Each exposure is assessed and monitored individually. The Bank does not apply a general portfolio level approach to apply staging changes to its loan book.

- **Probability of default:**

As detailed in note 1.8, OakNorth Bank does not have its own loss data due to limited trading history / through the cycle experience. As a result, we cannot calibrate an internal assessment of PD. Therefore, we rely on external PD information, which maybe different versus the actual observed or expected performance of our loan book till date. We further supplement the risk analysis by a quantitative and qualitative assessment of each individual exposure which also results in application of judgement in determining the final PD associated PD for each loan. The assessment of PD is based on the current borrower information

- **Loss given default:**

The Bank has utilised the scenario weighted LGD output from third-party solution for both its real estate and trading book. The solution incorporates the assumptions of impact on the collateral values , factoring any costs of sales. Limited judgement-based haircuts have been applied on certain eligible collateral for the trading book. The actual experience of the Bank in realising collaterals may differ. Due to the Bank's conservative LTV on the loan book, the Bank has booked no realised losses on the exposures it exited via workouts during the year.

- **Forward looking macroeconomic scenarios:**

As detailed in note 1.8, the Bank has utilised the scenarios as available from third-party for the real estate book, with management judgement applied on the weighting of the scenarios. The real estate book of the Bank comprises of a significant part of the Bank's loan book. The scenarios include market crash (downside), mean reverting (baseline) and no growth scenarios on real estate parameters which include rentals, vacancy , yields, property values. The Bank has assigned a weighting of 60% to the baseline scenario which incorporates impact of current market conditions and 40% weighting to the downside scenario. No weighting has been assigned to the upside scenario.

For the trading book the Bank has used a combination of macroeconomic variables and through regression analysis and arrived at the forward-looking scenarios. The data used for the forecasted variables is based on the information available in reports issued by HM Treasury which contains a comparison of independent forecast for the UK economy. This is the first year the Bank has applied the output of the analysis to the PDs obtained from third-party data. The Bank will continue to evolve and develop the framework over the coming year.

For both the real estate and the cash-flow backed/ trading book, the Bank has assigned 60% weight to the baseline scenario which includes impact of current market conditions and 40% weight to the adverse/severe scenarios. The total outstanding ECL provisions based on the above methodology are £15.5 million as of 31 December 2020. Assigning a 100% weight to the most severe scenarios for both the real estate and trading book would result in an increase in provisions by £3 million, while a 100% weight assignment to the baseline scenarios will result in reduction of provisions by £2 million.

- **COVID ECL Overlay provisions:**

COVID-19 has impacted the UK economy most significantly amongst the major countries, with the UK experiencing the deepest recession since records began. Structural and accelerated changes in a number of sectors have been experienced, while the impact has also been unequal across different parts of the economy. At the same time businesses have had support though a number of fiscal measures introduced by the government. Adaptability has been different across different businesses and it still remains to be seen how they perform as the support measures unwind.

Moreover, there has been significant volatility in the macro economic forecasts and scenarios, which the Bank observed in the quarterly outputs of the updated scenario-based PDs from the third-party solution.

As detailed in Note 1.8, in order to address the risk of the underlying PD framework outputs not reflecting the adequate levels of provisions due to volatility in the macroeconomic variables, and, to appropriately capture the potential impact on the underlying performance metrics of the borrowers (revenues, operating costs, working capital, capex, etc), the Bank has booked COVID overlay provisions based on probability weighted scenarios calculated by applying different downside scenarios on the loan book. While the ECL computed based on the PD framework is based on the current borrower information, the CVR scenario approach enables the Bank to assess whether an exposure is expected to revert to standard credit metrics or not over the coming period- thereby trying to capture the increase in the expected risk due to the forecasted changes in the underlying borrower performance.

The CVR scenarios have been run on a granular, sub-sector level, considering individual loan characteristics. This considers the impact of measures such as payment holidays, deferrals, extensions, any additional lending (including under CBILS/CLBILS); impact of lockdowns and ability to resume business under new constraints, structural changes in the industry which leads to a ‘new normal’. For the real estate book, the Bank has stressed the exposures with delays in the project completion timelines, increase in cost over-runs, delays in sales, granular collateral stresses, thereby impacting the forecasted LTVs. The scenarios are reviewed periodically for any changes material to the assumptions associated with the relevant sub-sector.

The Bank continues to monitor the scenario-based output from the base PD framework and the updates based on the actual performance of the borrower on a quarterly basis to determine the adequacy of level of COVID overlay provisions required. As at 31 December 2020, the Bank held £17.4 million of COVID overlay provisions (2019: nil), that reflect a level of 112% of the underlying ECL provisions of £15.5 million in accordance with the

PD/LGD methodology. These have been allocated to the staging of loan book where the impact of the downside scenarios was observed.

2. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	2020 (£'000)	2019 (£'000)
Depreciation of tangible fixed assets	1,397	1,451
Amortisation of intangible assets	36	36
Operating lease rentals	768	803
Foreign exchange loss	8	1
Total	**2,209**	**2,291**

Further information is provided in notes 12, 13 and 21

The analysis of the Auditors' remuneration is as follows:

	2020 (£'000)	2019 (£'000)
Fees payable to OakNorth Bank's auditors' for the audit of OakNorth Bank's financial statements	155	137
Total audit fees	**155**	**137**
Fees payable to OakNorth Bank's auditors' for Client Assets Sourcebook (CASS) audit	4	4
Fees payable to OakNorth Bank's auditors' for Interim profit verification	-	18
Total assurance related fees	**4**	**22**
Total fees to auditors'	**159**	**159**

3. Taxation

	2020 (£'000)	2019(£'000)
The tax charge comprises		
Total current and deferred tax	**19,049**	**15,890**
	2020 (£'000)	**2019 (£'000)**
Factors affecting tax change for the current year		
Profit on ordinary activities before tax	77,583	65,866
Tax at standard UK corporation tax rate	14,741	12,515
Effects of:		
Expenses not deductible for tax purposes	53	62
Adjustments in respect of prior years	-	(5)
Timing diffs at 19% for current tax but 25% for deferred	(78)	(66)

	2020 (£'000)	2019(£'000)
Bank surcharge tax	4,333	3,384
Total tax charge for the year	**19,049**	**15,890**
	2020 (£'000)	**2019 (£'000)**
Analysis of tax charge on ordinary activities		
UK corporation tax	19,373	16,172
Adjustment in respect of prior years	-	(150)
Deferred tax		
Current year - profit and loss statement	(324)	(278)
Adjustment in respect of prior years	-	146
Total tax charge – profit and loss statement	**19,049**	**15,890**
Total tax credit – equity	**(5)**	**(7)**
	2020 (£'000)	**2019 (£'000)**
Balance sheet provision for taxes payable	19,431	23,618
Balance sheet provision for tax recoverable on behalf of group entities	(12,266)	-
Advance tax paid	(10,500)	(16,112)
Net tax (recoverable)/payable	**(3,335)**	**7,506**
	2020 (£'000)	**2019 (£'000)**
Net Deferred tax asset	**870**	**552**

Change in tax rate: In accordance with the March 2020 budget announcement, the UK corporation tax rate was maintained at 19% for the years starting 1 April 2020 and 2021. Therefore deferred tax asset is based on the substantively enacted tax rates as at the balance sheet date. Deferred tax provisions have arisen on accounting of timing differences in relation to annual capital allowances for fixed assets, bonus provisions, unrealised loss on mark to market for GILTS and adjustment on account of IFRS9 transition impact. During the year the Bank was also subject to the Banking Corporation Tax Surcharge of 8% which is levied on the annual taxable profits of banking companies over £25 million. As a result, the effective tax rate for the year ended 31 December 2020 was 25% (2019: 24%).

Balance sheet provision for corporation tax payable are stated net of £12.3 million tax recoverable on account of surrender of losses from other group entities subject to UK corporation tax. Gross provisions for the year 2020 are £19.4 million for the Bank.

4. Staff numbers and costs

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

	2020 (Number)	2019 (Number)
Average number of employees	94	86

Their aggregate remuneration comprised:

	2020 (£'000)	2019 (£'000)
Salaries and bonuses	17,135	14,682
Social security & pension costs	2,397	2,007
Share-based payment	12	18
Other costs & statutory levies	248	57
Total	**19,792**	**16,764**

During the year OakNorth Bank made £175K (2019: £97K) of contributions towards a pension scheme for employees.

5. Share-based payments

OakNorth Bank's Holding Company operates an employee share scheme (ESS) which was introduced in 2016. This is an equity-settled scheme. The shares issued vest over a period of six years, with vesting commencing only from year three at 50%, increasing equally per year up to 100% by end of year 6. The vesting is subject to business performance conditions which must be met. The Remuneration Committee will assess the outcome of the performance conditions and determine the vesting outcome and the shares available for exercise. If an employee leaves, the unvested shares are bought back. During the year 1,595 shares were granted (2019: 1,286 shares). 7,600 shares had vested during the year (2019: 3,802). No shares were forfeited during the year (2019: 1,822).

6. Directors' remuneration and transactions

	2020 (£'000)	2019 (£'000)
Directors' remuneration		
Emoluments	3,657	3,373
Share-based payment	3	4
Other taxable benefits	76	69
Net amount expensed to profit and loss statement	**3,736**	**3,446**
Remuneration of highly paid director:		
Emoluments	1,920	1,778
Other taxable benefits	61	54
Net amount expensed to profit and loss statement	**1,981**	**1,832**

Total number of share-based payments granted to the Directors was nil shares (2019: nil). The expense recognised above is recognised over the vesting period (refer note 5 for details of the scheme).

Directors' advances, credits and guarantees: Details of transactions with directors during the year are disclosed in note 29.

7. Financial Services Compensation Scheme "FSCS"

As a regulated UK deposit-taker, OakNorth Bank pays levies to the FSCS which offers protection to individual deposit holders on amounts up to £85,000 (applicable as of 31 December 2020). The FSCS levy covers management expenses and compensation levies. In addition to the overall levy, FSCS also recovers costs, capital and interest costs associated with any "Specified Deposit Default (SDD) levy".

During 2020, there was a net charge of £157K (2019: £120K). A total payment of £128K was made in respect of all FSCS levies during the year (2019: £90K).

8. Loans and advances to banks

	2020 (£'000)	2019 (£'000)
Balances held with other banks	11,532	11,298
Total	**11,532**	**11,298**

The loans and advances to banks are measured at amortised cost. All balances held are short term and therefore book value is deemed equivalent to fair value.

9. Loans and advances to customers

9.1 Loans and advances to customers - maturity bucketing

	2020 (£'000)	2019 (£'000)
Loans and advances to customers		
Amount due:		
- Within one year	1,137,550	933,402
- Over one year but less than five years	1,323,238	1,085,298
- Over five years	64,335	55,593
Gross loans and advances	**2,525,123**	**2,074,293**
Allowance for ECL	(15,449)	(11,308)
Allowance for ECL (COVID Overlay provisions)	(17,425)	-
Total allowance for ECL	**(32,874)**	**(11,308)**
Loans and advances to customers (net)	**2,492,249**	**2,062,985**

The above balances are stated net of unamortised fees of £9.3 million (2019: £12.0 million) and accrued fees and interest receivable of £30.4 million (2019: £20.1 million).

9.2 Loans and advances to customers - Movement in staging

	Gross carrying/ nominal amount				Allowance for ECL				Net carrying amount			
	2020				2020				2020			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	**1,968,550**	**65,317**	**40,426**	**2,074,293**	**7,831**	**1,581**	**1,896**	**11,308**	**1,960,719**	**63,736**	**38,530**	**2,062,985**
Transfers between stages during the year												
– Transfers to Stage 1	1,457	(1,457)	-	-	28	(28)	-	-	1,429	(1,429)	-	-
– Transfers to Stage 2	(64,977)	64,977	-	-	(202)	202	-	-	(64,775)	64,775	-	-
– Transfers to Stage 3	(26,114)	(46,964)	73,078	-	(159)	(1,032)	1,191	-	(25,955)	(45,932)	71,887	-
Total transfers	**(89,634)**	**16,556**	**73,078**	-	**(333)**	**(858)**	**1,191**	-	**(89,301)**	**17,414**	**71,887**	-
Net (reduction)/ increase in ECL arising from transfer of stage	-	-	-	-	(28)	948	44	**964**	28	(948)	(44)	**(964)**
Net additional lending/ repayment	463,516	239	(12,925)	**450,830**	1,532	(239)	1,884	**3,177**	461,984	477	(14,808)	**447,653**
Addition of COVID overlay provisions	-	-	-	-	10,926	-	6,499	**17,425**	(10,926)	-	(6,499)	**(17,425)**
As at 31 December 2020	**2,342,432**	**82,112**	**100,579**	**2,525,123**	**19,928**	**1,432**	**11,514**	**32,874**	**2,322,504**	**80,680**	**89,065**	**2,492,249**

	Gross carrying/ nominal amount				Allowance for ECL				Net carrying amount			
	2019				2019				2019			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January 2019	1,288,306	15,883	-	**1,304,189**	5,868	384	-	**6,252**	1,282,438	15,499	-	**1,297,937**
Transfers between stages during the year												
– Transfers to Stage 1	15,883	(15,883)		**-**	384	(384)	-	**-**	15,499	(15,499)	-	**-**
– Transfers to Stage 2	(48,122)	48,122	-	**-**	(257)	257	-	**-**	(47,865)	47,865	-	**-**
– Transfers to Stage 3	(36,919)	-	36,919	**-**	(195)	-	195	**-**	(36,724)	-	36,724	**-**
Total transfers	**(69,158)**	**32,239**	**36,919**	**-**	**(69)**	**(127)**	**195**	**-**	**(69,089)**	**32,366**	**36,724**	**-**
Net (reduction)/ increase in ECL arising from transfer of stage	-	-	-	**-**	(311)	1,323	1,701	**2,713**	311	(1,323)	(1,701)	**(2,713)**
Net additional lending/ repayment	749,402	17,195	3,507	**770,104**	2,343	-	-	**2,343**	747,059	17,195	3,507	**767,761**
As at 31 December 2019	**1,968,550**	**65,317**	**40,426**	**2,074,293**	**7,831**	**1,581**	**1,896**	**11,308**	**1,960,719**	**63,736**	**38,530**	**2,062,985**

10. Provision for impairment losses

	2020 (£'000)	2019 (£'000)
ECL allowances on loan book		
As at beginning of the year	11,308	6,252
Net charge during the year	4,141	5,056
Net charge during the year- COVID overlay provisions	17,425	-
As at end of the year	**32,874**	**11,308**
	2020 (£'000)	**2019 (£'000)**
Movement in the profit and loss statement		
Expected credit loss /(credit) on drawn loan book	4,141	5,056
Expected credit loss charge-COVID overlay provisions	17,425	-
Expected credit loss /(credit) on undrawn loan commitments	22	(166)
Total	**21,588**	**4,890**

11. Debt securities

	2020 (£'000)	2019 (£'000)
Analysed by type		
UK GILTS	**131,053**	**105,337**
Analysed by designation		
Financial instruments at FVOCI	**131,053**	**105,337**

All the debt securities held have been fair valued based on market price (Level 1). These debt securities are bonds issued by HM Treasury and are UK Government liability in sterling. The residual maturity is within one year (2019: one year). None of the debt securities were impaired as at 31 December 2020 (2019: Nil). The securities held as at 31 December 2019 matured during the year.

12. Intangible assets

	2020 (£'000)	2019 (£'000)
Cost		
At 1 January	360	360
Additions	-	-
At 31 December	**360**	**360**
Accumulated amortisation		
At 1 January	156	120
Charge for the year	36	36
At 31 December	**192**	**156**
Carrying amount		
At 31 December	**168**	**204**

13. Tangible fixed assets

	Leasehold improvements 2020 (£'000)	Computer and IT equipment 2020 (£'000)	Fixtures, fittings and office equipment 2020 (£'000)	Total 2020 2020 (£'000)
Cost				
At 1 January 2020	**1,207**	**5,316**	**330**	**6,853**
Additions	2	35	9	46
Impairment	-	(118)	(5)	(123)
At 31 December 2020	**1,209**	**5,233**	**334**	**6,776**
Accumulated depreciation				
At 1 January 2020	**285**	**3,892**	**79**	**4,256**
Charge for the year	243	1,075	79	1,397
Impairment	-	(118)	(5)	(123)
At 31 December 2020	**528**	**4,849**	**153**	**5,530**
Carrying amount				
At 31 December 2020	**681**	**384**	**181**	**1,246**

	Leasehold improvements 2019 (£'000)	Computer and IT equipment 2019 (£'000)	Fixtures, fittings and office equipment 2019 (£'000)	Total 2019 (£'000)
Cost				
At 1 January 2019	1,059	5,038	208	6,305
Additions	148	278	125	551
Impairment	-	-	(3)	(3)
At 31 December 2019	**1,207**	**5,316**	**330**	**6,853**
Accumulated depreciation				
At 1 January 2019	69	2,717	22	2,808
Charge for the year	216	1,175	60	1,451
Impairment	-	-	(3)	(3)
At 31 December 2019	**285**	**3,892**	**79**	**4,256**
Carrying amount				
At 31 December 2019	**922**	**1,424**	**251**	**2,597**

14. Prepayments and accruals

	2020 (£'000)	2019 (£'000)
Prepayments	697	787
Receivables	142	159
Corporation tax receivable (net)	3,335	-
Total	**4,174**	**946**

15. Other assets

	2020 (£'000)	2019 (£'000)
Security deposits	4	12
Bank of England - Cash Ratio Deposit	5,393	3,321
Other assets	68	2,637
Total	**5,465**	**5,970**

Other assets in 2019 included balances held with solicitors for £2.5 million, which were subsequently settled after the year end.

16. Customer deposits

	2020 (£'000)	2019 (£'000)
Customer deposits	2,313,628	1,986,639
Amounts due:		
- Within one year	1,133,694	1,126,835
- Over one year but less than five years	306,183	251,003
Total notice and term deposits	**1,439,877**	**1,377,838**
Easy access accounts	873,751	608,801
Total deposits	**2,313,628**	**1,986,639**

The above amounts include accrued interest payable of £13.0 million (2019: £15.5 million).

17. Borrowings under BOE's Term funding scheme

	2020 (£'000)	2019 (£'000)
Borrowings under the BOE's Term Funding Scheme	**181,796**	**182,013**
Amounts due:		
- over one year but less than five years	181,796	182,013

As of 31 December 2020, OakNorth Bank had borrowed £181.9 million (2019: £181.9 million) under the Bank of England's (BOE) Term Funding scheme (TFS). The scheme closed for new drawdowns in February 2018. The interest payable on the borrowings is linked to the BOE base rate, which is currently 10bps (2019: 75bps). The borrowing is repayable after four years of drawdown - £1.0 million is repayable in June 2021 and £180.9 million is repayable in January/ February 2022.

The borrowing is collateralised against GILT portfolio of £131.1 million (2019: £103.8 million) and gross loans of £122.2 million (2019: £182.2million). The borrowing is held at amortised cost.

18. Subordinated debt Tier 2

	2020 (£'000)	2019 (£'000)
Subordinated notes	**49,559**	**49,459**
Amounts due:		
-over five years	49,559	49,459

In June 2018, OakNorth Bank issued 10-year £50.0 million subordinated notes with coupon of 7.75%, issued at a yield of 8%. The notes are callable in June 2023. The notes are held at amortised cost.

19. Trade payables and other provisions

	2020 (£'000)	2019 (£'000)
Trade creditors and accruals	11,248	8,630
Payroll taxes and social security	849	758
Payable to group entities -Corporation tax on group losses	12,266	-
Corporation tax payable	-	7,506
Total	**24,363**	**16,894**

All amounts above are payable within one year. Corporation tax payable to group entities is on account of surrender of group losses to OakNorth Bank. Details by entities is provided in note 29.

20. Other liabilities

	2020 (£'000)	2019 (£'000)
Deferred income & income received in advance	17,797	20,216
Other liabilities	109	4,332
Provision on undrawn loan commitments	287	265
Total	**18,193**	**24,813**

Other liabilities mainly include funds received for deposits pending appropriation as at the end of the reporting year, subsequently cleared after the month end.

The expected credit loss allowance on undrawn loan commitments is calculated in accordance with the policies as detailed in note 1.8. Movements in the undrawn loan commitment ECL allowances is provided below:

Notes to the financial statements

For the year ended 31 December 2020

	Nominal exposure				Allowance for ECL			
	2020 (£'000)				2020 (£'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January	**116,695**	**-**	**-**	**116,695**	**265**	**-**	**-**	**265**
Transfers between stages during the year	-	-	-	-	-	-	-	-
– Transfers to Stage 1	-	-	-	**-**	-	-	-	**-**
– Transfers to Stage 2	(4,287)	4,287	-	**-**	(8)	8	-	**-**
– Transfers to Stage 3	-	-	-	**-**	-	-	-	**-**
Total transfers	**(4,287)**	**4,287**	**-**	**-**	**(8)**	**8**	**-**	**-**
Net increase/ (reduction) in ECL arising from transfer of stage	-	-	-	**-**	-	22	-	**22**
Net additional lending/ repayment	37,303	(1,915)	2,302	**37,690**	-	-	-	**-**
As at 31 December	**149,711**	**2,372**	**2,302**	**154,385**	**257**	**30**	**-**	**287**

	Nominal exposure				Allowance for ECL			
	2019 (£'000)				2019 (£'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January	162,108	138	-	**162,246**	430	1	-	**431**
Transfers between stages during the year								
– Transfers to Stage 1	138	(138)		**-**	1	(1)	-	**-**
– Transfers to Stage 2	(1,500)	1,500	-	**-**	(13)	13	-	**-**
– Transfers to Stage 3	-	-	-	**-**	-	-	-	**-**
Total transfers	**(1,362)**	**1,362**	**-**	**-**	**(12)**	**12**	**-**	**-**
Net increase/ (reduction) in ECL arising from transfer of stage	-	-	-	**-**	-	(13)	-	**(13)**
Net additional lending/ repayment	(44,051)	(1,500)	-	**(45,551)**	(153)	-	-	**(153)**
As at 31 December	**116,695**	**-**	**-**	**116,695**	**265**	**-**	**-**	**265**

21. Operating lease commitments

	2020 (£'000)	2019 (£'000)
Lease expense charged to the profit and loss statement	**768**	**803**

Operating lease payments represent rentals payable by OakNorth Bank for its office premises and for flat rented for use of full-time employees.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 (£'000)	2019 (£'000)
within one year	892	842
between one and five years	1,580	2,631
Total	**2,472**	**3,473**

22. Contingent liabilities and commitments

As on 31 December 2020, OakNorth Bank had undrawn loan commitments outstanding for £154.4 million (2019: £116.7 million). OakNorth Bank also had £865.4 million of uncommitted facilities outstanding as of 31 December 2020 (2019: £966.2 million). OakNorth Bank had no other contingent liabilities as on 31 December 2020 (2019: Nil). Undrawn loan commitments are measured as the amount of expected credit loss allowance calculated in accordance with the policies as detailed in note 1.8. The Bank has not provided any loan commitments at below market interest rate or that can be settled net in cash by delivering or issuing another financial instrument.

OakNorth Bank allows for drawdowns under property development facilities only where our monitoring surveyor has verified the costs and progress of the development. For other business lending, OakNorth Bank always stipulates conditions precedent for drawdown.

23. Country by country reporting

The Capital Requirements Directive 4 ("CRD IV") requirements stipulate reporting on a consolidated basis, by country where the reporting institution has an establishment, the name, nature of activities, geographical location, number of employees, turnover, pre-tax profit/ loss, corporation taxes paid, and any public subsidies received. OakNorth Bank is a UK based bank and only operates out of its offices in the UK.

24. Capital management

OakNorth Bank's risk appetite statement and framework are designed to ensure that OakNorth Bank maintains sufficient capital, with appropriate buffers, to meet regulatory requirements for its ongoing growth projections, even in periods of stress. To enable this, OakNorth Bank conducts the Internal Capital Adequacy Assessment Process ('ICAAP'), which is a formal capital planning exercise over a 5-year period. As a part of the ICAAP, the Board is required to consider all material risks OakNorth Bank faces and determine the amount, type and distribution of capital that will be required to cover such risks. This is achieved through the "Stress testing" process. On an ongoing basis, OakNorth Bank monitors the capital adequacy taking into account the forecast volume of growth in the loan book. The capital adequacy and capital buffer position (forecast and actuals) are reported to the ALCO, EXCO, the Board Risk Committee and the Board on a monthly basis.

OakNorth Bank uses the Standardised Approach for computing capital requirements for credit risk and Basic Indicator Approach for operational risk. The disclosures in this document are based on these approaches. OakNorth Bank has complied with all regulatory capital requirements throughout the year.

OakNorth Bank has Tier 1 capital resources which include ordinary share capital, FVOCI revaluation reserve, Employee Share Scheme valuation reserves and retained earnings, reduced by the intangible assets. Tier 2 capital includes Subordinated debt issued by the Bank. More information is provided in OakNorth Bank's Pillar 3 disclosures available in a separate document.

25. Risk Management Framework

OakNorth Bank has adopted the governance framework in line with the corporate governance practices at other UK financial institutions. As a financial institution, OakNorth Bank is exposed to various types of risks. OakNorth Bank has implemented a Risk Management Framework to identify, measure and monitor these risks. OakNorth Bank has developed a risk appetite statement to manage the risks. The risk appetite statements cascade to the suite of Policies which define the controls needed to implement them. The Policies in turn cascade to Standard Operating Procedures (SOPs) which operationalise the controls.

The OakNorth Bank Board retains overall accountability for approving the RMF and the Business Strategy, understanding major risks, and ensuring that appropriate limits are set against those risks and that they are adequately controlled and monitored. Through delegated authority from the Board, the Board Risk & Compliance Committee, Board Credit Committee, and Board Audit Committee provide overall supervision and assurance of the RMF, with independent oversight lines for the CFO, CRO, Head of Credit Risk and Head of Internal Audit respectively to enable this and to protect their independence. Roles and responsibilities are laid out in the Firm Management Responsibilities Map (FMRM). Each risk area is covered by a Risk Appetite Statement, Policy and Standard Operating Procedures (SOPs), to mitigate the risks to within Board risk appetite.

25.1 Credit Risk

Credit Risk is defined as the potential that a borrower will fail to meet its obligations in accordance with contractual lending terms resulting in partial or full loss. This risk remains one of the most significant risk faced by OakNorth Bank as the loan book continues to scale. OakNorth Bank does not actively trade in financial instruments, other than for liquidity management purposes.

OakNorth Bank does not actively trade in financial instruments, other than for liquidity management purposes.

Risk appetite

The Board Credit Committee (BCC) is responsible for setting the Credit risk appetite strategy in line with business plan. Key risk appetite metrics are monitored through periodic reporting and reviewed at least annually by the board. Risk appetite metrics are tracked to measure performance and credit concentration of the loan book.

Credit Risk Management Policy (CRMP) underpins OakNorth Bank's approach to credit risk management and is designed to ensure lending is prudent and is managed in alignment with the overall Board risk appetite and corresponding financial and capital targets for OakNorth Bank.

OakNorth Bank's CRMP is supported by a suite of sector credit risk policies which determine risk management approach and sets out minimum requirements including specific lending parameters. All credit risk policies are reviewed at least annually to ensure the Bank has the appropriate foundations for growth whilst also considering the macro economic and regulatory environment.

Credit risk management portfolio oversight and approval of lending decisions are done at Board Credit Committee and credit committees as delegated by the Board. Credit committees are set across three levels -

Board Credit Committee, Credit Risk Management Committee ('CRMC') and Small Deals Committee. The delegated authority of each committee is based on a matrix of key credit risk measures including quantum, internal rating, collateral, policy exception and returns.

The following functions are key to OakNorth Bank credit risk assessment and monitoring:

- ❑ Credit risk team- who review, challenge and recommend credit proposals, operating under the CRMP
- ❑ Portfolio monitoring team- who are responsible for the ongoing Credit monitoring of the loan book, supported by in-house analytics and monitoring & surveying team. Minimum reporting requirements on a portfolio and individual borrower basis are applied with key metrics and early warning signals tracked daily and escalated accordingly
- ❑ Workout & Recoveries team- who solve for problem cases by working with borrowers to arrive at mutually acceptable solutions.

A Credit Quality Assurance ('CQA') function was implemented during 2020, which emphasizes the strong value placed on credit risk governance & controls. This provides robust challenge to the credit risk management framework and provides assurance on compliance. CQA reviews are carried out on a periodic basis.

COVID-19 has resulted in widespread disruption globally, impacting macro environment and individual borrowers. OakNorth Bank has implemented appropriate monitoring in response to the pandemic. This includes regular Executive Credit Risk Management Committee updates on key risks and mitigants for our individual borrowers and application of CVR downside scenarios to assess impact on the loan book.

Approach to monitoring

OakNorth Bank combines the traditional approach to commercial underwriting i.e. using historical borrower data, with forward looking scenarios. We do this by using domain models, and specific forward-looking scenarios from the ON Credit Intelligence Suite. This same approach is used to monitor loans, providing early warning indicators against deterioration in credit quality, enabling our team to have early conversations with borrowers. Our in-house monitoring and surveying team monitor property development loans. Stress tests are run monthly at an individual loan level, which provide a clear trend analysis of credit risk across our loan book.

The early warning indicators tracked weekly, and a formal portfolio review is done monthly which is presented to the CRMC. Both the CRMC and BCC monitor the performance of the overall portfolio on a regular basis and at least monthly through the production of management information including- lending volumes, key credit model output performance, rating downgrades, concentration risk (including large exposures), impairments and any material recoveries and performance again the credit risk appetite limits.

Measuring Credit Risk Quality

The IFRS 9 approach is applied in measuring credit risk of the book. Defined criteria have been set to ascertain the staging of the loans, including criteria for COVID impacted lending exposures. This includes a combination of qualitative and quantitative factors, which include, but are not limited to – trend of business performance versus plan, trend of cash flow position, significant adverse changes to external factors that may impact the performance of the loan, significant adverse changes to the collateral position. Enhancements made to the

OakNorth Bank PD/LGD framework has ensured a range of forward-looking scenarios and macro views are applied when calculating IFRS 9 provisioning.

The Head of Portfolio monitoring or Senior Director, Workout & Recoveries recommends loan accounts to be added to intensive monitoring for any increased monitoring and to Watchlist/ Stage 2 or Stage 3, as appropriate, to the CRMC. The CRMC approves the final staging. The criteria used to trigger a staging review are monitored and reviewed periodically by CRMC. Where loans in Stage 1 have been COVID impacted and have utilised government support measures such as payment holidays or deferrals or have availed additional lending under CBILS or CLBILS- the staging for these loans is not automatically moved to Stage 2. They are assessed individually if these measures enable the borrower to revert to standard credit risk metrics over a certain period of time. These cases are subject to intensive monitoring where required, but not classified as Stage 2 unless there is a significant increase in credit risk and cannot be resolved by any temporary measures.

For Stage 3, the CRMC assesses whether there are objective impairment triggers, which include significant financial difficulty of the borrower, probability that the borrower will enter bankruptcy, breach of contract, or any other factors as the CRMC deems relevant which may result in the borrower unlikely to pay.

The classification of the loan book across different Stages and the corresponding expected credit loss charge allowance is provided in note 9.

Business support measures during COVID

In order to continue supporting our borrowers and the wider economy, the Bank agreed COVID payment deferrals with some of its borrowers. All measures are agreed at an individual borrower level. During the year, deferred payment arrangements were agreed with 32 clients for £4.6 million. As of 31 December 2020, 24 of these clients had already resumed full payments and total deferred payments outstanding as at the year-end were £2.4 million. These loans were retained as Stage 1.

Central to OakNorth Bank's approach is trying to assist the customer to resolve their financial difficulties and return to financial health as quickly as possible. As part of its customers in financial difficulty policies and procedures, the Bank may undertake forbearance measures in order to ensure better outcomes for both the customer and the Bank.

Cases with significant increase in credit risk are managed via the Bank's Watchlist process. Customers exhibiting signs of actual or potential stress are classified in an appropriate watch category and subjected to mandatory actions to ensure that an appropriate strategy is being followed to effectively manage the increased credit risk.

Credit risk mitigation

OakNorth Bank seeks to mitigate credit risk through, inter alia, eligible collateral. OakNorth Bank's CRMP details the eligible collateral that OakNorth Bank may accept for risk mitigation purposes. This includes but is not, limited to, debenture/ charge on fixed and floating assets, charge on freehold land or property, guarantees (personal, corporate), and cash reserves/ deposits. OakNorth Bank has a policy guidance on the valuation conditions and methods. OakNorth Bank also has a policy in relation to the external valuation firms/ quantity surveyors who can be added to OakNorth Bank's valuation panel. Any review of collateral is done in line with the scheduled (minimum annual) review for the credit and frequency as specific to the security type, as applicable. As a backstop policy measure, OakNorth Bank refreshes independent, external valuations minimum every 3 years. For the purposes of the provisioning per the enhanced PD and LGD framework, we continue to update the values based on relevant indices.

As of 31 December 2020, 96% of OakNorth Bank's loan facilities were collateralised by security comprising of fixed assets (including property) and charges/ debentures on underlying portfolio of assets (primarily property) (2019: 96%). These exclude any charges on floating assets and guarantees not supported by charge on fixed assets. The weighted average LTV of the book collateralised by property was 54% (2019: 56%).

The loans in Stage 3 are secured with property collateral and consist of a mix of completed and development properties. The Bank has assessed the exposures and recognised an expected credit loss charge £5.0 million (2019: £1.9 million) and allocated COVID overlay provisions of £6.5 million (2019: nil) on the drawn exposure of £100.6 million for the year ended 31 December 2020 (2019: £40.4 million).

Geographic exposures

OakNorth Bank's credit risk exposures (i.e. the collaterals and business cash flows) are primarily in the UK, with one corporate exposure outside of the UK. Further details are provided in the Bank's Pillar 3 disclosures.

25.2 Liquidity risk

This is defined as the risk that OakNorth Bank is unable to meet its contractual financial obligations as they fall due and is unable to fund future loan drawdowns. The main liquidity risk OakNorth Bank faces is retail deposits funding risk – i.e. the risk that retail funds may be withdrawn from OakNorth Bank at their earliest contractual maturity in the event of a stress occurring.

OakNorth Bank's Funding policy sets out its approach to funding its requirements and at the same time limiting the concentration of the funding sources. OakNorth Bank has put in place an Individual Liquidity Adequacy Assessment Process (ILAAP), which includes an on-going assessment and quantification of OakNorth Bank's liquidity requirements and risks in various stress scenarios and how OakNorth Bank plans to manage/mitigate risks arising in such stress scenarios. OakNorth Bank also has a liquidity contingency funding plan, which is a part of its Recovery and Resolution plan; this Recovery plan further details a range of credible options for addressing capital and liquidity challenges under a range of stress scenarios.

OakNorth Bank's liquidity position is monitored in accordance with OakNorth Bank's Liquidity Risk Management Policy and in accordance with the Liquidity risk appetite statements as approved by OakNorth Bank's Board.

The Asset and Liability Management Committee (ALCO) is responsible for setting and monitoring the appropriate thresholds and limits on the capital and liquidity risk drivers, the day-to-day decision-making process around early warning triggers and ensuring that OakNorth Bank remains on target and within its capital and liquidity risk appetite. Independent oversight is provided by the second line Risk function. ALCO also conducts risk appetite appraisals to ensure that the Capital and Liquidity risk appetite statements are up to date and remain relevant to OakNorth Bank's operations.

As at 31 December 2020, OakNorth Bank held unencumbered high-quality liquid assets of £469.5 million (2019: £540.0 million).

25.3 Interest rate risk

Interest rate risk in the banking book is defined as the risk of losses arising from changes in the interest rates associated with OakNorth Bank's banking book exposures. The risk may arise due to the following:

- Repricing and Basis Risk: The risk arising from repricing mismatch of assets and liabilities. The majority of OakNorth Bank's assets reprice based on variable rates (BOE base rate and LIBOR) while most deposit liabilities are fixed rate.
- Pipeline Risk: The uncertainties of occurrence of future transactions.
- Prepayment Risk: Borrowers redeeming fixed rate products when interest rates change or prepaying loans for other reasons.

OakNorth Bank's interest rate risk management policy is detailed in OakNorth Bank's Market and Liquidity Risk Management policy, which defines, measures, sets hedging policy statements and details the governance process around the management, monitoring and reporting of the interest rate risks.

The Head of Treasury is responsible for managing the interest rate risk in the Bank. The Asset and Liability Management Committee (ALCO) is responsible for setting and monitoring the appropriate thresholds and risk appetite limits on the interest rate risk. The reporting of the IRRBB is done on a monthly basis to the ALCO.

The Bank uses a number of measures for measurement and monitoring of interest rate risk. These include:

- NPV sensitivity to 200 basis point (bps) parallel shift in the entire yield curve to measure the interest rate risk in the banking book (IRRBB) and the basis risk exposure report. OakNorth Bank monitors the Net Present Value (NPV) sensitivity to the positive and negative 200 basis points shift in the yield curve including the Bank of England base rate or LIBOR-linked floors embedded within the customer loan agreements and conditional assumptions on prepayments.
- NPV sensitivity for the 6 pre-defined non-linear rate shocks from the EBA.
- Basis risk metrics including: Earnings at Risk (EAR) measures for 25bps reference rate dislocation (Base rate/ LIBOR/ Customer deposit cost of funding).
- Additionally, we also track NPV sensitivity of 1bps shift in the reference rate gap to rate floors contractually agreed with our borrowers.

The Bank has Risk Appetite metrics to ensure levels are managed within the tolerance of the Board for such risks. To support the Bank in managing within these risks, OakNorth Bank has in place reference rate floors that provide significant protection against adverse rate movements versus origination rates. The Bank does not hold balances in any other currencies.

As at 31 December, the NPV sensitivity to +/-200bps shift including the impact of rate floors was as follows. The impact is positive in both +/- shift:

	2020 (£m)	2019 (£m)
NPV Sensitivity to +2% shift (including base/ LIBOR rate floors)	20.9	19.0
NPV Sensitivity to -2% shift (including base/ LIBOR rate floors)	35.5	25.7

The worst impact of 12m NII at risk at risk to +/- 25bps shock is (£0.6) million as of 31 December 2020.

25.4 Operational Risk

Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems, or external events. OakNorth Bank aims to mitigate each risk with robust controls and monitoring.

OakNorth Bank has implemented an Operational Risk policy and robust risk mitigation processes. The first line of defence ensures that any operational risk in their area is mitigated by clearly defined and documented process documents and undertakes a thorough Risk and Controls Self-Assessment ('RCSA') process. Appropriate risk limits and their thresholds and early warning indicators are set. Reporting of appropriate MI on process effectiveness and any events or near misses is made monthly to the OPCO, EXCO and Board. Second-line and Third-line reviews and monitoring ensure independent challenge and review of the management of material operational risk in the first line functions.

25.5 Conduct, compliance and regulatory risks

Conduct Risk is defined as the risk that a firm's behaviour results in poor outcomes for customers. OakNorth Bank is committed to delivering good outcomes for its customers.

Compliance risk is defined as the risk of impairment to the organisation's business model, reputation and/ or financial condition resulting from failure to meet laws, regulations, standards and policies, and expectations of regulators and society as whole.

Regulatory risk is defined as the risk of regulatory sanction, financial loss, or loss to reputation OakNorth Bank may suffer because of failure to comply with all laws and regulations, and the expectations of regulators.

OakNorth Bank has no appetite for any breach of regulation, code or standard of conduct. OakNorth Bank uses a "customer outcomes" focussed approach to assess conduct performance. Staff are provided with a Compliance Manual and appropriate training to provide an overview of the regulatory system under which OakNorth Bank operates, to provide an outline of OakNorth Bank's Compliance policy in each area, and to provide instructions on policies and procedures for compliance.

26. Called up share capital

	2020 (£'000)	2019 (£'000)
Allotted, called up and fully paid		
389,320,001 (previous year: 389,320,001) Ordinary shares of £1 per share	**389,320**	**389,320**
	No of shares (in '000)	
As at 1 January 2019	**299,320**	
Issue of shares during the year	90,000	
As at 31 December 2019	**389,320**	
Issue of shares during the year	-	
As at 31 December 2020	**389,320**	

27. Retained earnings

	2020 (£'000)	2019 (£'000)
Brought forward as at 1 January	80,744	31,091
IFRS 9 transition adjustment (net of tax) as of 1 January 2019	-	(323)
Profit during the year	58,534	49,976
As at end of year 31 December	**139,278**	**80,744**

28. Segmental information

OakNorth Bank offers lending products to borrowers across different sectors. However, OakNorth Bank does not operate different business divisions within the Bank. The business currently operates as a single integrated unit with all other functions such as liquidity management, deposit product and other support functions supporting the growth of the lending business.

29. Related party transactions

Transactions with related parties include contract charges for services provided by the Bank's fellow subsidiary entities and the Holding Company are as disclosed below:

	2020 (£'000)	2019 (£'000)
OakNorth Holdings Limited		
- Subscription of shares	-	90,000
- Deposits placed with the Bank	4,087	20,801
- Interest paid on deposits	206	-
- PY expenses recoverable paid on their behalf	26	18
- PY expenses payable paid on their behalf	118	86
OakNorth Global Private Limited, India		
- Purchase of services	10,691	7,589
OakNorth India Private Limited		
- Purchase of services	31	-
OakNorth (UK) Limited		
- Purchase of services	857	-
- PY expenses recoverable paid on their behalf	1,197	1,111
- PY expenses payable paid on their behalf	75	-
- Payable for tax losses surrendered	4,359	-
OakNorth (SG) Pte Limited		
- PY expenses recoverable paid on their behalf	-	350
- PY expenses payable paid on their behalf	121	-
- Payable for tax losses surrendered	7,807	-

	2020 (£'000)	2019 (£'000)
OakNorth International (UK) Limited		
- PY expenses recoverable paid on their behalf	56	305
- PY expenses payable paid on their behalf	214	-
- Payable for tax losses surrendered	100	-
OakNorth US Inc.		
- PY expenses recoverable paid on their behalf	13	84
- PY expenses payable paid on their behalf	6	-
OakNorth Global (US) Inc.		
- PY expenses recoverable paid on their behalf	88	-
- PY expenses payable paid on their behalf	45	-

The disclosures are presented including amounts accrued but not billed. The following amounts were outstanding at the balance sheet date:

	2020 (£'000)	2019 (£'000)
Equity holding		
OakNorth Holdings Limited	389,320	389,320
	2020 (£'000)	**2019 (£'000)**
Deposits placed		
OakNorth Holdings Limited	25,095	20,801
	2020 (£'000)	**2019 (£'000)**
Amounts owed to / (from) related parties		
OakNorth Global Private Limited	921	856
OakNorth (India) Private Limited	31	-
OakNorth Holdings Limited	-	66
OakNorth (UK) Limited	5,095	(78)
OakNorth SG Pte Limited	7,809	-
OakNorth International (UK) Limited	100	4
OakNorth US Inc.	-	(84)

OakNorth Holdings Limited, Jersey is a related party of the Bank because it is the Holding Company. All other entities mentioned in the table above are sister companies of the Bank. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Other related party transactions: Directors' transactions

The total remuneration for key management personnel are as detailed in note 6.

	2020 (£'000)	2019 (£'000)
Employee costs	3,179	2,913
Other taxable benefits	3	69
Share-based payment	77	4
Total cost	**3,259**	**2,986**

The share-based payments expense included in the above is the expense recognised as per the vesting schedule.

30. Controlling party

In the opinion of the Directors, OakNorth Bank's immediate and ultimate controlling party is OakNorth Holdings Limited, Jersey, with registered office at Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.

31. Post balance sheet events

There are no post balance sheet events.

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