



OakNorth
Bank

OakNorth Bank Limited
Annual report and Financial Statements
for the year ended 31 December 2015

Registered number: 08595042

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OakNorth Bank Limited

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OakNorth Bank Limited

Chairman's Statement

OakNorth Bank Limited (herein referred to as "the Bank" or "OakNorth") obtained its full UK banking licence in August 2015 representing a significant milestone for the future of the Bank. This was achieved on schedule and within the envisaged budget. A major milestone has been the Bank's success in attracting significant additional capital soon after commencement of its operations. The Bank is today fully operational, well capitalised and with substantial liquidity to grow the loan book to meet its financial objectives.

Significant changes in regulatory environment coupled with rapid technological changes have had a dramatic impact on the economics of banking and traditional banking business models. OakNorth's business model is designed to meet the requirements of banking in this new environment. It has a simple and focused strategy - lending to small and medium sized (SME) growth companies and entrepreneurs requiring specialised/tailored banking services. The Bank's operations are efficient, making it lean, agile and cost effective. It has a robust and broad based approach to risk management using state of the art analytics. The Board has fully endorsed the Bank's strategy, which provides a comprehensive framework for implementing its business priorities.

The Bank's ambition is to become one of the leading providers of tailored solutions to entrepreneurs and growth SMEs in the UK. OakNorth has the right business model and product proposition, governance structure, systems and operating framework to create a market-leading offering and to deliver above average shareholder returns. It has a clear and compelling strategy, effective management, strong balance sheet and an engaged and supportive Board.

Rishi Khosla as the CEO and Co-Founder has built an impressive senior management team with deep and diverse industry expertise and experience. Hiring of seasoned bankers, notably within our Business Development team, will continue as the business continues to grow.

Following the equity investment, the Bank ended 2015 with a strong balance sheet of £94.8 million. The Bank limited the post-tax losses to £2.3 million in 2015. The Bank's disciplined approach towards cost management will allow it to operate efficiently and invest in delivering growth in the loan book in 2016. We anticipate a significant growth in revenues and improvement in the operating results in 2016, which will be the Bank's first full year of operations since its authorisation in August 2015.

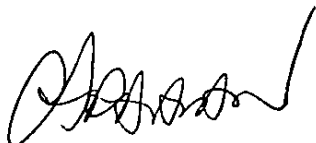
The Board has a very constructive and effective relationship with the management on the Bank's strategy and its implementation. The Board committees play a key role in this process and are chaired by the independent Non-Executive Directors (NEDs) - Lord Adair Turner (Audit and Compliance), Robert Burgess (Risk and Credit), and Cyrus Ardalan (Remuneration). The Board has recently grown in strength with the addition of new board members following the investment made by India Bulls Housing Finance Limited in OakNorth Holdings Limited, which subsequently invested the full proceeds in the Bank. The Board will continue to enhance the Bank's governance and risk management framework and ensure that best practices are followed.

Our previous Chairman, Ratan Engineer, sadly passed away in April 2015 after a short illness. My fellow Board members and I are committed to continue providing a robust governance framework for the Bank. I am most grateful to the excellent support and work of the Board and the senior management team.

OakNorth Bank Limited

Chairman's Statement (cont)

To conclude, I would like, on behalf of the Board, thank our customers for supporting OakNorth as we build a bank of the future. I would also like to acknowledge the hard work of all of the Bank's employees whose commitment has been and will continue to be critical to our success.



Chairman

Cyrus Ardalan

25 April 2016

OakNorth Bank Limited

Chief Executive Officer's Statement

"The opportunity to service entrepreneurs is substantial and the demand for expert, tailored financial services is growing rapidly"

Rishi Khosla

Chief Executive Officer and Co-Founder

The Bank for entrepreneurs

OakNorth is establishing itself as the 'go-to' partner for entrepreneurs and growth companies in the UK which have been underserved by incumbent banks. Enabled by a mix of suits and jeans, we combine traditional face-to-face banking where we take the time to understand a business, with web technology which enables us to streamline processes and complete transactions in weeks - significantly less than the six months it takes larger lenders. Our willingness to consider multiple collateral types, rather than fixating on property like most lenders, is genuinely challenging the status quo and providing entrepreneurs and growth businesses with a modern lending solution that is fit for purpose.

Putting down our roots

2015 was a foundation year for OakNorth, we were authorised by the Financial Conduct Authority ('FCA') and the Prudential Regulatory Authority ('PRA') for retail deposit taking amongst other activities. Furthermore, OakNorth raised increased its paid up capital base to £85.5 million, enabling us to accelerate our investment plan and deliver robust growth by supporting British entrepreneurs and growth businesses with more tailored, flexible lending.

I would like to acknowledge and share my appreciation to the staff and Board of Directors in achieving these significant milestones. I would also like to pay our condolences to the family of our late Chairman, Ratan Engineer.

Establishing strong corporate governance

OakNorth has an experienced senior management team with a Board made up of five highly experienced non-executive directors who provide oversight of all activity. This includes monitoring of credit risk, conduct risk, regulatory risk, operational risk, reputational risk and compliance.

OakNorth's Executive Committee has strategic responsibility for the various functional areas of the firm. Strategic planning and balance sheet management is handled by the Asset and Liability Committee. The Operations Committee oversees the structure, framework, policies and process related to the operational infrastructure. The Chief Risk Officer is responsible for the oversight of all governance frameworks with independent assurance provided by the Head of Internal Audit.

OakNorth has implemented a robust and comprehensive risk appetite framework. Processes and controls have been embedded to monitor loan performance, early warning indicators and covenants.

Financial performance

OakNorth had a post-tax loss for the 2015 calendar year of £2.3 million which was principally driven by the operating expenses incurred during the Bank build process. The financial results reflect the early stage of OakNorth's journey and are in line with our forecast losses in the first two years post-incorporation.

OakNorth Bank Limited

Chief Executive Officer's Statement (cont)

The future – realising our potential

In the past year we have attracted experienced people in our London and Manchester offices with deep industry knowledge and an understanding of customers' business needs. As we continue to build a strong brand and capabilities focused specifically on the growth community, we will continue to recruit industry leaders who share our values and determination to succeed in providing entrepreneurs and growth businesses with bespoke, flexible lending solutions.

The opportunity to service entrepreneurs is substantial and the demand for expert, tailored financial services is growing rapidly. Our challenge is to capture these opportunities in a disciplined and customer focused way to create shareholder value.



Rishi Khosla

Chief Executive Officer and Co-Founder

25 April 2016

OakNorth Bank Limited

Strategic Report

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006

This strategic report has been prepared for OakNorth Bank Limited

Basis of preparation

The statutory results presented herein have been prepared in accordance with FRS102. For the period from incorporation to 31 December 2014, the Bank had prepared its financial statements under International Financial Reporting Standards (IFRS). On commencement of Banking activities in 2015, the Directors re-considered the accounting policies to be applied and determined FRS 102 to be the most suitable accounting framework to reflect the management of the Bank's business. The results for the 18 month period to 31 December 2014 have been re-stated in line with the FRS102 requirements.

Principal Activities and Review of the business

OakNorth Bank Limited was incorporated on 3 July 2013 for the purpose of becoming a Bank focused on servicing entrepreneurs and growth Small and Medium Sized Enterprises ('SMEs'). The Bank's strategy includes offering a wide range of lending and savings products to assist SMEs in the UK in financing their future growth while offering attractive savings products to retail customers interested in funding such growth.

The Bank was authorised by the PRA and the FCA with effect from 6 March 2015 under Option B of PRA's revised authorisation process and exited Mobilisation on 28 August 2015, thereby receiving full UK Banking Licence, which enabled the Bank to commence deposit-taking activities.

The Bank commenced lending to SMEs during the year and ended the year with a loan book of £14.9 million. The two main products that the Bank focuses on are Business Lending - which is primarily cash flow based lending to companies to finance their funding requirements including (but not limited to) for growth, working capital and acquisitions; and Property Finance - which includes finance of new development, refurbishment as well as medium-term property investment funding.

The Bank has established a strong risk management framework, which underpins the Bank's credit process to ensure that the growth in the loan book is within the Bank's risk appetite framework.

Post full authorisation, the Bank also launched fixed rate retail term deposit products over different tenors and successfully raised £10.9 million of deposits by the end of the year.

The total operating expenses of £2.4 million were incurred in investing in systems and recruiting high calibre individuals to build the Bank. The operating income for the year was £0.1 million, resulting in an operating loss of £2.3 million. The Bank continues to invest in systems and controls to support the growth plans and deliver enhanced proposition to its customers on an ongoing basis. A latent impairment provision charge of £62K has been established.

As detailed in the Chairman's and the Chief Executive Officer's statements, the Bank has a strong product proposition, systems and operating framework and governance structure to contribute to the SMEs funding requirements and support their business growth plans.

Key performance indicators

Given the early stage of the Bank's operational activities, the Directors consider funding / liquidity strength, capital strength, and cost containment to be the key performance indicators.

OakNorth Bank Limited

Strategic Report (cont)

	2015 £million	2014 £million
Called up share capital	85.5	1.2
Liquid assets	53.2	-
Total capital adequacy ratio	154%	-

During the year the Bank's paid up capital base increased to £85.5 million from £1.2 million at the end of 2014. The Bank is well positioned to support the growth in the loan book.

Risk Management

Governance structure

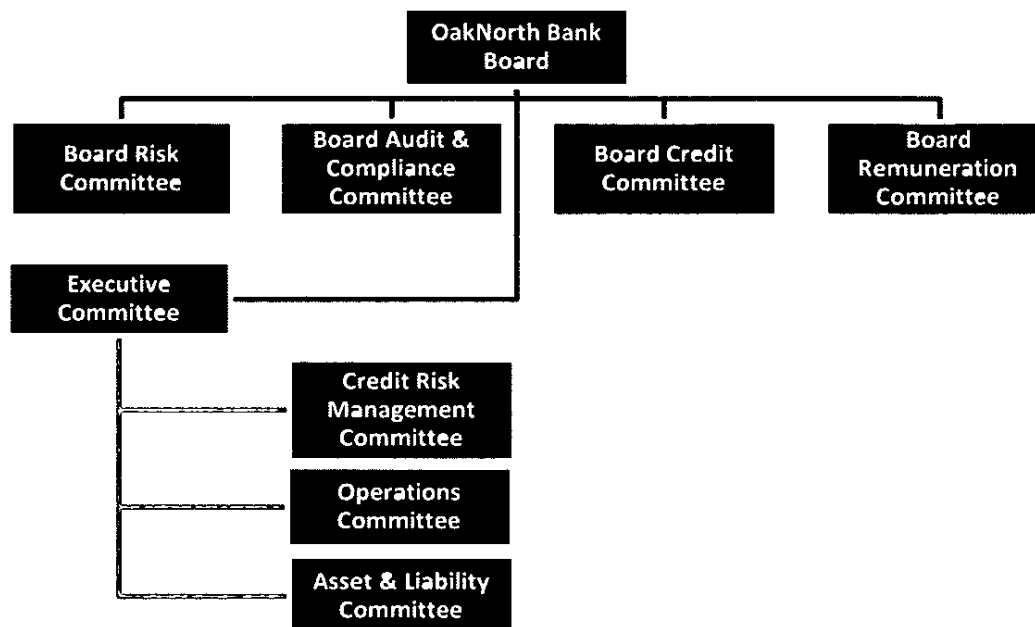
The Bank is an unlisted company and therefore the UK Corporate Governance Code does not apply in full. The Bank, however, complies with most of the provisions of the UK Corporate Governance Code as appropriate to the Bank's size and nature.

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 is responsible for maintaining a system of internal control and ensuring that management maintain 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. The Bank's Board of Directors retains overall accountability 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.

Through delegated authority from the Board, the Board Risk Committee, Board Credit Committee and Board Audit and Compliance Committee provide overall supervision and assurance of the RMF, with independent oversight reporting lines for the CFO, CRO, Head of Credit Risk and Head of Internal Audit respectively to support this.

OakNorth Bank Limited

Strategic Report (cont)



During 2015, the Board Risk and Board Audit & Compliance Committee operated as a single Committee – Board Audit and Risk Committee. In March 2016 the Committees were separated into two separate Committees as detailed in the structure above. Unless specified otherwise, this document refers to the updated Board governance structure of the Bank.

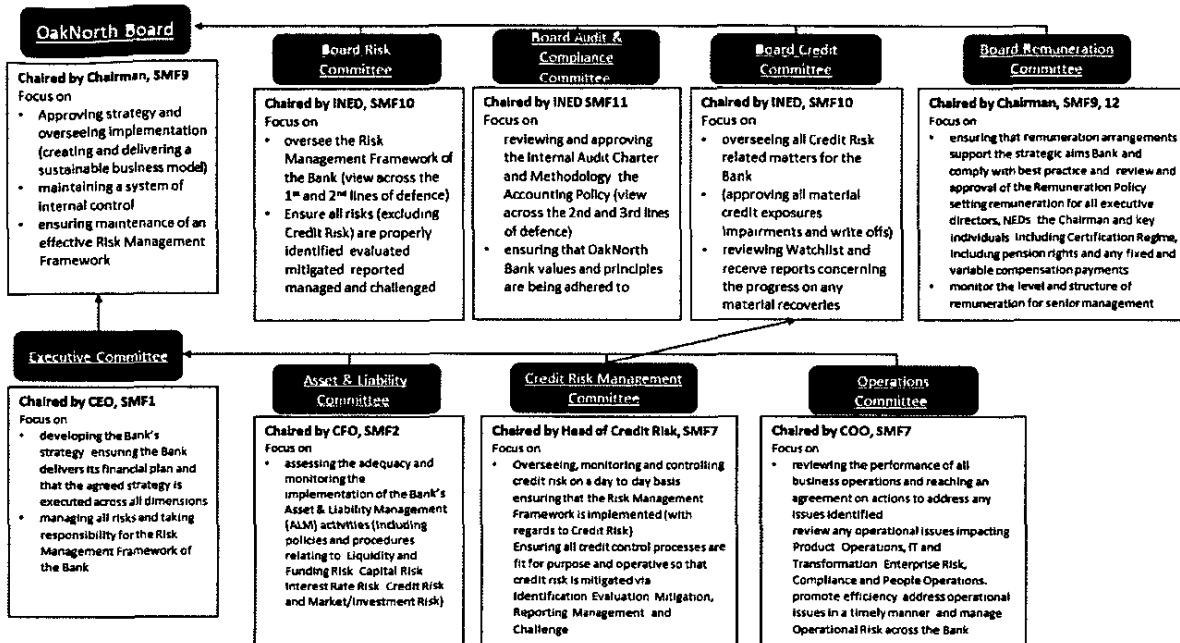
The Board meets every month, based on a defined timetable. The Board maintains oversight over the effectiveness of each Board Committee through the receipt, review and challenge of regular updates, minutes and management information from each and will undertake a formal review annually of its own performance, that of its Committees and individual directors and the division of responsibilities.

The Board Remuneration Committee assists the Board in determining the optimum Board size at any point of time within the legal and regulatory framework. The Board believes that its present 9-member size is adequate, given the Bank's current scale of operations and desired competencies of the Board members. The current board structure includes 4 executive directors, 3 non-executive independent directors and 2 notified non-executive directors.

The table below summarises the key responsibilities of the various Board and Management committees of the Bank.

OakNorth Bank Limited

Strategic Report (cont)



Principal risks and uncertainties

Given the nature of the activities undertaken, the principal risks that the Bank faces are business risk, credit risk, capital risk, liquidity risk, interest rate risk, operational risk (including IT systems risk) and conduct, compliance and regulatory risk. The risks are defined below and the Bank's Risk Management framework is summarised in the following sections:

- **Business risk** – the risks which can affect the Bank's ability to achieve its strategic objectives
- **Credit risk** – risk of financial loss arising from a borrower or counterparty failing to meet their contractual financial obligations to the Bank
- **Capital risk** – risk that the Bank has insufficient capital to meet the regulatory requirements and growth objectives
- **Liquidity risk** – risk that the Bank is unable to meet its contractual financial obligations as they fall due and is unable to fund future lending growth opportunities or is able to do so only at significantly higher funding costs
- **Interest rate risk** – risk of financial loss arising due to re-pricing mismatches in the asset and liabilities positions which have not been hedged
- **Operational risk (including IT risk)** – the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems, or external events. This covers a number of areas including:
 - risk of financial loss or loss of reputation due to inadequate internal controls,
 - loss due to internal or external fraud,
 - failure of IT systems causing loss or reduction of service to customers,
 - risk of cyber-attack, and

OakNorth Bank Limited

Strategic Report (cont)

- key person dependencies
- Conduct, compliance and regulatory risk Conduct Risk is defined as the risk that a firm's behaviour results in poor outcomes for 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 For the Bank, this includes compliance with FCA and PRA Handbooks/Sourcebooks, as well as financial crime laws and regulations including those relating to Anti-Money Laundering and Anti-Bribery and Corruption Regulatory risk is defined as the risk of regulatory sanction, financial loss, or loss to reputation a bank may suffer as a result of failure to comply with all laws and regulations, and the expectations of regulators

The Bank seeks to mitigate each of the detailed risks through a comprehensive Risk Management Framework (RMF) The RMF enables the Bank to ensure that the key risks facing the 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

The Board has set a Risk Appetite based on a set of Strategic Risk Objectives The Bank's risk appetite sets out the type and quantum of risk the 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-to-day decision-making by the team, and is defined and measurable

The high level Strategic Objectives which the Risk Appetite for the Bank is based on is articulated as follows

- Manage capital and liquidity to ensure the Bank's projected capital and liquidity needs are met, even under periods of stress
- Build stable earnings at sufficient volume and quality/price to sustain the business model, whilst avoiding risk concentrations
- Manage operational risks inherent in the start-up phase and proactively manage all the Bank's operational risks to achieve a very low level of operational risk losses
- Maintain compliance and the confidence of Regulators by regulatory requirements and minimise breaches of regulatory or legal requirements, with no tolerance of material breaches
- Maintain integrity and the confidence of Customers - focus on delivery of great outcomes for our customers, meeting their needs and expectations through providing suitable products

A number of detailed policies and framework, including stress testing framework, approved by the Board and the Board delegated committees detail the governance framework to ensure that the Bank's activities are consistent with the Risk Appetite approved by the Board. These policies cover all areas including (but not limited to) Operational risk, Conduct and Customer Experience, Financial Crime, Fraud and AML, Compliance Manual, Code of Conduct, Credit Risk Management, Interest Rate Risk Management, Liquidity Risk Management, Business Planning and Stress Testing

Further details are provided in the Risk Management section in the Notes to Accounts

A review of the adequacy and effectiveness of the overall risk management framework and compliance management in their area is made semi-annually, in accordance with the Control and

OakNorth Bank Limited

Strategic Report (cont)

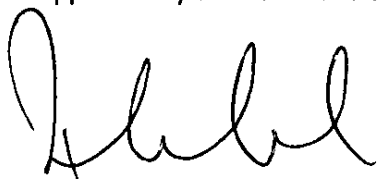
Compliance Review and Certification process The Risk function, as second line, is responsible for providing assurance that those controls are implemented, are being operated satisfactorily, and that risk and control registers are comprehensive Internal Audit, as third line, conducts reviews in line with the Audit Plan to test the effectiveness of the operational risk framework, including first line controls and the quality of the second line oversight

Business and economic outlook

The Bank's financial position continues to improve with the growth in loan book and through cost containment initiatives The Directors see the opportunity to service entrepreneurs as substantial and the demand for expert, tailored financial services is growing rapidly and expect the Bank to be active in both the lending and deposit markets in line with our strategy and plans in the forthcoming year

Any adverse changes to the current economic conditions in the UK could affect the Bank's business and financial performance The Bank is well positioned to withstand any adverse changes via the current levels of excess capital and liquidity Additionally, the Bank's credit underwriting process only allows loans to be under-written after thorough analysis ensuring customers have a proven ability to repay and the collateral is robust, and the Bank undertakes a comprehensive assessment of its Risk Appetite including stress testing the business model to ensure that it can meet its objectives in severe but plausible economic conditions

Approved by the Board and signed on its behalf by



Rishi Khosla
Chief Executive Officer and Co-Founder

25 April 2016

OakNorth Bank Limited

Directors' Report

The Directors present their annual report on the affairs of the Bank, together with the financial statements and auditor's report, for the year ended 31 December 2015

Going concern

The Directors confirm they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts

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 accounts. The Pillar 3 disclosures are available separately on request on the Bank's website

Dividends

The Directors do not recommend a dividend

Directors

The Directors, who served throughout the year except as noted, were as follows

Name of Director	Designation	Date of appointment	Date of resignation
Rishi Khosla	Executive Director Chief Executive Officer and Co Founder	18 Dec 13	-
Joel Perlman	Executive Director Chief Strategy Officer and Co Founder	18 Dec 13	-
Murali Reddy	Executive Director Chief Financial Officer	08 Jan 15	-
Robert Burgess	Independent Non-Executive Director	01 Jan 15	-
Lord Adair Turner	Senior Independent Director	08 Jan 15	-
Cyrus Ardalan	Chairman	29 Jun 15	-
Gagan Banga	Notified Non-Executive Director	23 Feb 16	-
Ajit Kumar Mittal	Notified Non-Executive Director	23 Feb 16	-
Graham Leslie Olive	Executive Director Interim Deputy Chief Executive Office	29 Feb 16	-
Thomas Woolgrove	Executive Director Deputy Chief Executive Office	18 Sep 15	08 Jan 16
Ratan Engineer	Chairman	08 Jan 15	11 Apr 15
Chris Dailey	Executive Director Chief Executive Officer	01 Aug 14	31 Jan 15

OakNorth Bank Limited

Directors' Report (cont)

Directors' indemnities

The 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 donations were made during the year

Auditor

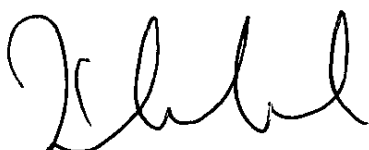
Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditor is 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 the Bank's auditor is aware of that information

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

A resolution to reappoint Deloitte LLP as auditor will be proposed at the next AGM.

Approved by the Board and signed on its behalf by



Rishi Khosla

Chief Executive Officer and Co-Founder

25 April 2016

OakNorth Bank Limited

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of OakNorth Bank Limited

We have audited the financial statements of OakNorth Bank Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

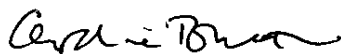
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of OakNorth Bank Limited (cont)

Matters on which we are required to report by exception

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

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



Caroline Britton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 April 2016

OakNorth Bank Limited

Profit and loss account

For the year ended 31 December 2015

	Note	Year ended 2015 £'000	Restated Period ended 2014 £'000
Interest income		198	-
Interest expense		(42)	-
Net Interest income		<u>156</u>	<u>-</u>
Fees and commissions		4	-
Operating Income		<u>160</u>	<u>-</u>
Expenses :			
Administrative expenses		(2,360)	(254)
Depreciation and amortisation	10, 11	(25)	(1)
Provision for impairment losses	8	(62)	-
		<u>(2,447)</u>	<u>(255)</u>
Loss before tax		<u>(2,287)</u>	<u>(255)</u>
Tax charge		-	-
Loss after tax from ordinary activities		<u>(2,287)</u>	<u>(255)</u>

The notes on pages 23 to 45 form an integral part of the financial statements

OakNorth Bank Limited

Statement of Comprehensive Income For the year ended 31 December 2015

	2015 £'000 Year ended	Restated 2014 £'000 Period ended
Loss after tax	(2,287)	(255)
Fair value changes on available for sale financial instruments	(7)	-
Total comprehensive income attributable to equity shareholders	(2,294)	(255)

The notes on pages 23 to 45 form an integral part of the financial statements

OakNorth Bank Limited

Balance sheet

As at 31 December 2015

	Note	2015 £'000	Restated 2014 £'000
ASSETS			
Loans and advances to banks	6	21,571	105
Loans and advances to customers	7, 8	14,906	-
Debt securities	9	50,040	-
Treasury bills	9	3,198	-
Intangible assets	10	350	247
Tangible fixed assets	11	3,914	782
Prepayments and accruals	12	730	2
Other assets	13	62	1
Total assets		94,771	1,137
LIABILITIES			
Customer deposits	15	10,939	-
Accrued interest		39	-
Trade payables and other provisions	16	834	212
Other liabilities		8	-
		11,820	212
CAPITAL AND RESERVES			
Called up share capital	22	85,500	1,180
Profit and loss account	23	(2,542)	(255)
Other comprehensive income		(7)	-
		82,951	925
Total liabilities and capital and reserves		94,771	1,137

The notes on pages 23 to 45 form an integral part of the financial statements. The financial statements of OakNorth Bank Limited were approved by the Board of Directors and authorised for issue on 25 April 2016. They were signed on its behalf by:



Rishi Khosla
Executive Director
CEO and Co-Founder



Joel Perlman
Executive Director
CSO and Co-Founder



Murali Reddy
Executive Director
CFO

OakNorth Bank Limited

Statement of changes in equity At 31 December 2015

	Share Capital	Profit and loss account	Other comprehensive income	Total
	£'000	£'000	£'000	£'000
As at 3 July 2013	1	-	-	1
As at 31 December 2014	1,180	(255)	-	925
Issue of share capital	84,320	-	-	84,320
Loss after tax	-	(2,287)	-	(2,287)
Fair value changes on available for sale financial instruments	-	-	(7)	(7)
As at 31 December 2015	85,500	(2,542)	(7)	82,951

The notes on pages 23 to 45 form an integral part of the financial statements

OakNorth Bank Limited

Cash flow statement

For the year ended 31 December 2015

	2015 £'000	Restated 2014 £'000
Loss before tax	(2,287)	(255)
<i>Adjustments for</i>		
Depreciation and amortisation	25	1
Latent provision charge	62	-
Increase in receivables	(789)	(3)
Increase in payables	670	211
Increase in loan receivables	(14,968)	-
Increase in customer deposits	10,939	-
Income taxes paid	-	-
Net cash flows (used in)/generated from operating activities	(4,061)	209
Purchase of property, plant and equipment, implementation of software and intangible assets	(3,261)	(1,029)
Purchase of debt securities and treasury bills	(53,245)	-
Net cash flows from investing activities	(56,506)	(1,029)
Proceeds on issue of shares	84,320	1,180
Net cash flows from financing activities	84,320	1,180
Net increase in cash and cash equivalents	21,466	105
Cash and cash equivalents at beginning of year/period	105	-
Cash and cash equivalents at end of year/period	21,571	105

The notes on pages 23 to 45 form an integral part of the financial statements

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

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 (incorporation to 31 December 2014)

a. General information and basis of accounting

OakNorth Bank Limited (registered number 08595042) is a Bank incorporated in the United Kingdom under the Companies Act. The address of the registered office is at Sixth Floor, Nightingale House, 65 Curzon Street, London W1J 8PE, England. The nature of the Bank's operations and its principal activities are set out in the Strategic report on pages 7 to 12 and Directors' report on pages 13 to 14.

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 and provision of statutory instrument 410 "Large Medium sized companies and groups" Schedule 2 Part 1 relating to Banking groups and applicable UK accounting standards. The Bank has adopted IAS39 for recognition and measurement of financial instruments based on the accounting policy choice permitted under FRS102.

The financial statements from incorporation to 31 December 2014 were presented under International Financial Reporting Standards (IFRS). The Bank adopted FRS 102 during the year. Consequently, the prior period's financial statements were restated for material adjustments on adoption of FRS 102. For more information see note 27.

The functional currency of OakNorth Bank Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Bank operates.

b. Going concern

The financial statements are prepared on a going concern basis as the Bank is satisfied that it has adequate resources to continue operating in the foreseeable future. Information on the Bank's business strategy, performance and outlook is detailed in the Chairman's statement, CEO's statement and the Strategic Report. The Strategic report further details the key risks faced by the Bank and mitigants and provides an overview of the Bank's Risk Management Framework. The Directors, in making their assessment, have also considered the Bank's business forecasts and projections, including stress testing and scenario analysis and future profitability, which show that the Bank will be able to operate at adequate capital and liquidity levels for the foreseeable future.

c. 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 are capitalised as tangible fixed assets where software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset.

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

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	shorter of over the term of the lease 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.

d. Intangible assets

The amount initially recognised for internally-generated intangible assets being 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 bases

Banking Licence	10 years
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Expenditure on research activities is recognised as an expense in the period in which it is incurred.

De-recognition of intangible assets

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.

e. Impairment of tangible and intangible assets

At each balance sheet date, the 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.

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

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

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

f. Financial instruments

The Bank uses IAS 39 for the recognition and measurement of financial instruments based on the accounting policy choice permitted under UK GAAP FRS102

The Bank initially recognises loans and advances, deposits, and other market borrowings debt securities issued and subordinated liabilities on the date of origination. The Bank classifies its financial assets in the following categories: Loans and receivables, and available for sale financial assets. Management determines the classification of financial assets at initial recognition. The financial assets are de-recognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership. Financial instruments are recognised at trade date, being the date on which the Bank commits to purchase or sell the instruments. Financial liabilities (other than derivatives) are measured at amortised cost and are recognised at value date. They are de-recognised when liabilities are extinguished. Details of accounting policy in relation to the measurement and recognition of the various financial instruments are detailed in the subsequent notes

g. 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, eg 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

h. Loans and receivables

Loans and receivables, which include loans and advances and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not designated at fair value through profit and loss, available for sale or held to maturity. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using effective interest rate method. Loans and receivables are

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

stated at amortised cost after deduction of amounts which are required as impairment provisions. The Bank's policy in relation to impairments and impairment provisions is detailed in note 1 (j)

i. Available for sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. These are initially recognised at fair value including direct and incremental transaction costs and subsequently held at fair value. Gains and losses arising from changes in fair value are included in the available for sale securities reserve until sale or derecognition, when the cumulative gain or loss is transferred to the profit and loss account.

Any impairment losses on available for sale investment securities is required to be recognised by transferring the cumulative loss that has been recognised directly in equity to profit and loss. If, in a subsequent period, the fair value of an impaired available for sale debt security 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 of an impaired available for sale equity investment is recognised directly in equity since it cannot be reversed through the profit and loss account.

j. Impairment of assets held at amortised cost

Impairment provisions are made where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows from the asset that can be reliably estimated. Losses expected as a result of future events are not recognised. Evidence of impairment is considered on both individual and portfolio basis.

In accordance with the Bank's Credit Risk Management Policy (CRMP), the Bank is required to regularly review the loan accounts, including monitoring compliance with key financial covenants, track repayments against schedule and identify any Trigger Events or Early Warning Indicators. The Bank's Provisions and Impairment Policy details the Watchlist process for monitoring of any such accounts. The Bank classifies non performing exposures where any principal or interest repayments are contractually past due by over 90 days. The Bank has a forbearance policy and may provide support to a borrower struggling to meet its obligations. This may range from ignoring a breach of a loan covenant, to giving the borrower more time to meet its loan obligations, to providing some form of active payment relief.

The Bank's Provisioning policy requires specific assessment of individually significant exposures and portfolio level assessment for smaller value loans.

Wherever there is an objective trigger of impairment as defined under IAS39, the specific impairment provision as per the policy is required to be calculated on net present value basis, net of any interest in suspense and including any legal and professional fees/charges, accrued interest, and discounting is based on the effective interest rate.

Where Provisions have not been assessed on an individual basis, provision needs to be assessed on a collective basis. The collective provision amount shall be calculated for each facility, as a life to date balance. The loss ratio will be based on historic loss and recovery experience.

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Notes to the financial statements

For the year ended 31 December 2015

The Bank also has a latent provision policy for incurred but not identified losses. This is calculated as non-defaulted balances x Loss Given default (LGD) x probability of default (PD) x Emergence period (EP). Any impairment loss is recognised in the profit and loss account. Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

k. 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.

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.

l. Revenue recognition

Interest income and interest expense are recognised in the profit and loss account as it accrues using effective interest rate (EIR) method, other than interest on doubtful collectability which is excluded from interest income. 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 receivable which are an integral part of the EIR of a financial instrument are amortised over the expected life of the instrument. When calculating the effective interest rate, the Bank estimates the future cash flows considering all contractual terms of the financial instruments but not the credit losses. The effective interest rate is established on initial recognition (or upon reclassification) of the financial asset and liability and is not revised subsequently.

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

m. Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the 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 account. 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.

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

n. Leases

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

o. Other Provisions (excluding impairment provisions)

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the 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

p. Share capital

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

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the 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, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the 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

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

Useful lives and recoverability of tangible fixed assets and intangible assets: As described above, the Bank reviews the estimated useful lives of tangible fixed assets at the end of each reporting period

During the year, management reconsidered the recoverability of the costs capitalised in processing the Banking licence intangible asset which is included in its balance sheet at £350K. When the Bank obtained the banking licence amortisation of the intangible asset commenced.

Detailed sensitivity analysis has been carried out and management is confident that the carrying amounts of the tangible fixed assets and intangible assets will be recovered in full, even if returns are reduced. The recoverability will be monitored, and any adjustments as deemed appropriate will be made.

3. Loss before taxation

Loss on ordinary activities before taxation is stated after charging

	2015 £'000	Restated 2014 £'000
Depreciation of tangible fixed assets	15	1
Amortisation of intangible assets	10	-
Operating lease rentals	76	6
Foreign exchange loss (gain)	1	1
	<u>102</u>	<u>8</u>

Further information is provided in notes 10 and 11

The analysis of the auditor's remuneration is as follows

	2015 £'000	Restated 2014 £'000
Fees payable to the Bank's auditor and its associates for the audit of the bank's annual accounts	44	10
Total audit fees	<u>44</u>	<u>10</u>
Taxation compliance services	3	-
Other services	114	126
Total non-audit fees	<u>117</u>	<u>126</u>
Total fees to auditor	<u>161</u>	<u>136</u>

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Notes to the financial statements For the year ended 31 December 2015

4. Staff numbers and costs

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

	As at 31 Dec 2015	As at 31 Dec 2014
Average number of employees	37	4

Their aggregate remuneration comprised.

	2015 £'000	Restated 2014 £'000
Salaries and bonuses	1,364	130
Social security costs	130	16
Other costs	8	4
	1,502	150

The costs above are stated net of impact of any capitalisation

5. Directors' remuneration and transactions

	2015 £'000	Restated 2014 £'000
Directors' remuneration		
Emoluments	683	248
Redundancy pay	30	-
	713	248
Less Capitalised to tangible fixed assets	(334)	(173)
Net amount expensed to profit and loss account	379	75
 Remuneration of the highest paid director:		
Emoluments	251	141
Less Capitalised to tangible fixed assets	(177)	(87)
Net amount expensed to profit and loss account	74	54

Directors' advances, credits and guarantees

Details of transactions with directors during the year are disclosed in note 25

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

6. Loans and advance to banks

	2015	Restated 2014
	£'000	£'000
Balance held with banks	7,039	105
Time deposits with banks	14,000	-
Bank balance with custodian	532	-
	21,571	105

7. Loans and advances to customers

	2015	Restated 2014
	£'000	£'000
Loans and advances to customers		
Amount due		
- within one year	2,983	-
- over one year but less than five years	11,985	-
- over five years	-	-
Gross loans and advances	14,968	-
Latent provisions allowance	(62)	-
Loans and advances to customers (net)	14,906	-
of which repayable on demand or at short notice	-	-

There were no past due or impaired accounts as at 31 December 2015

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

8. Provision for impairment losses

	2015 £'000	Restated 2014 £'000
Latent provisions		
As at 31 December 2014 (restated)	-	-
Created during the year	62	-
Released during the year	-	-
Written off during the year	-	-
As at 31 December 2015	62	-
Movement in the profit and loss account		
Latent provision created	62	-
Latent provision released	-	-
	62	-

9. Debt securities

	2015 £'000	Restated 2014 £'000
Analysed by class:		
Treasury Bills	3,198	-
Bonds	50,040	-
	53,238	-
Analysed by issuer		
Issued by public bodies Government	53,238	-
Analysed by designation		
Available for sale	53,238	-
Analysed by maturity		
Due within one year	53,238	-
Fair value of debt securities		
Issued by public bodies . Government	53,238	-

All the investments held have been fair valued based on market price (Level 1) None of the investments were impaired as at 31 December 2015 Net premium on government securities amortised is £47K

OakNorth Bank Limited

Notes to the financial statements **For the year ended 31 December 2015**

10. Intangible assets

	Banking License £'000
Cost	
At 31 December 2014 (restated)	247
Additions	113
At 31 December 2015	360
Amortisation	
At 31 December 2014 (restated)	-
Charge for the period	10
At 31 December 2015	10
Carrying amount	
At 31 December 2015	350
At 31 December 2014 (restated)	247

11. Tangible fixed assets

	Leasehold improvements £'000	Computer and IT equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost				
At 31 December 2014 (restated)	-	779	3	782
Additions	48	3,084	16	3,148
Disposals	-	-	-	-
At 31 December 2015	48	3,863	19	3,930
Depreciation				
At 31 December 2014 (restated)	-	1	-	1
Charge for the period	2	11	2	15
Disposals	-	-	-	-
At 31 December 2015	2	12	2	16
Carrying amount				
At 31 December 2015	46	3,851	17	3,914
At 31 December 2014 (restated)	-	779	3	782

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

12. Prepayments and accruals

	2015 £'000	Restated 2014 £'000
Accrued interest receivable	494	-
Prepayments and deferred expenses	236	2
	<hr/> 730	<hr/> 2

13. Other assets

	2015 £'000	Restated 2014 £'000
Security deposits	46	1
Other assets	16	-
	<hr/> 62	<hr/> 1

14. Deferred tax

No deferred tax asset has been recognised in respect of the current and prior year losses

15. Customer deposits

	2015 £'000	Restated 2014 £'000
Customer deposits	10,939	-
Amounts due		
- within one year	7,201	-
- over one year but less than five years	3,738	-
	<hr/> 10,939	<hr/> -

of which repayable on demand or at short notice

- -

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Notes to the financial statements For the year ended 31 December 2015

16. Trade payables and other provisions - amounts falling due within one year

	2015 £'000	Restated 2014 £'000
Trade creditors and accruals	681	154
Other taxation and social security	153	42
Employee leave provisions	-	16
	<u>834</u>	<u>212</u>

The Directors consider that the carrying amount of trade payables approximates to their fair value

17. Operating lease commitments

	2015 £'000	Restated 2014 £'000
Lease expense charged to the profit and loss	<u>76</u>	<u>6</u>

Operating lease payments represent rentals payable by the Bank for its office premises

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

- within one year	178	-
- between one and five years	41	-
- after five years	-	-
	<u>219</u>	<u>-</u>

18. Contingent liabilities

The Bank had no other contingent liabilities as on 31 December 2015

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

19. 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. The Bank is a UK based bank and only operates out of its offices in London and Manchester.

20. Capital management

The Bank's Risk Appetite statement and framework is designed to ensure that the Bank maintains sufficient capital, with appropriate buffers, to meet regulatory requirements for its ongoing growth projections, even in periods of stress. To enable this, the 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 the 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, the Bank monitors the capital adequacy through the monitoring of the volume of growth in the loan book. The actual and forecast capital adequacy and capital buffer position are reported to the ALCO, EXCO and the Board Risk Committee and the Board on a monthly basis.

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

The Bank has Tier 1 capital resources which include ordinary share capital, AFS revaluation reserve and retained earnings, reduced by the intangible assets. Tier 2 capital, includes latent provisions reserve. More information is provided in the Bank's Pillar 3 disclosures available in a separate document.

	2015 £'000
Regulatory capital	
Share capital	85,500
Retained earnings/ (losses)	(2,542)
Available for Sale security reserve	(7)
Deductions for Intangible assets	(350)
Total Common Equity Tier 1 (CET1) capital	82,601
Total Tier 1 capital	82,601
Collective impairment allowance	62
Total Tier 2 capital	62
Total regulatory capital	82,663

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Notes to the financial statements For the year ended 31 December 2015

21. Risk Management Framework

The Bank has adopted the governance framework in line with the corporate governance practices adopted by other UK financial institutions. As a financial institution, the Bank is exposed to various types of risks. The Bank has implemented an Enterprise Wide Risk Management framework to identify, measure and monitor the risks. The Bank has developed a risk appetite framework 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 the Standard Operating Procedures (SOPs) which operationalise the controls.

The Board of Directors has oversight over the risks assumed by the Bank and specific Board committees have been constituted to facilitate focused oversight of various risks. The Board is assisted by its sub-committees, the Audit and Compliance Committee, Board Risk Committee, Board Credit Committee and Board Remuneration Committee. The day-to-day responsibilities are further delegated to the Executive Committee (EXCO). The EXCO is supported by various other committees including Credit Risk Management Committee, Operations Committee, Asset and Liability Committee.

The Bank has a risk registers for each functional area, which rolls up into the enterprise risk register.

The approach to manage key risks is outlined below.

Credit Risk

Credit Risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed, contractual terms. This risk arises from the Bank's lending activities as a result of defaulting loans and is the most significant risk faced by the Bank as the loan book grows.

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

A detailed Credit Risk Management policy (CRMP) has been set, designed to ensure that the Bank's lending is prudent and is managed in alignment with the overall Board Risk Appetite and corresponding financial and capital targets for the Bank. The Board Credit Committee (BCC) is responsible for the Risk Appetite appraisals to ensure that the Credit Risk Appetite statements are up to date and relevant to the Bank's operations. Specific credit risk management portfolio oversight and approval of lending decisions within authority is delegated by the Board to the BCC and in turn to the executive Credit Risk Management Committee (CRMC) and Head of Credit Risk. The Head of Credit Risk is responsible for monitoring the appropriate thresholds and limits on the credit risk drivers and ensuring that the day-to-day decision-making process meets the risk appetite limits.

The Bank has set down its detailed guidance and specific Lending Policy metrics. Every final approved loan is assigned a risk rating (based on a Probability of Default (PD) and Loss Given Default (LGD)) which will drive both pricing and ultimately the level of ongoing monitoring which the Bank adopts.

Credit proposals are approved by the CRMC or the BCC based on the amount and/or the internal risk rating of the facility. All credit proposals put up to the BCC are initially approved by the CRMC.

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Notes to the financial statements For the year ended 31 December 2015

Concentration risk is managed through the risk appetite framework which also stipulates the various limits to manage exposure concentrations within the Bank

Credit Monitoring is completed by the Credit Risk team on a regular basis. The credit facilities are subject to periodic (minimum annual) review based upon the risk grading. The Bank reviews its credit exposure on both facility basis and on a portfolio basis. The Bank has processes to identify potential financial difficulty in a customer account via Trigger Events or Early Warning Indicators for example an internal risk rating downgrade within the last 90 days, or breach of covenants. Active monitoring takes place via a Watch List process. The Bank also has a forbearance policy in place.

The Bank seeks to mitigate credit risk through eligible collateral. Any review of collateral is done in line with the scheduled (minimum annual) review for the credit.

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, impairments and any material recoveries (if any).

The Bank had undrawn commitments as at the year-end which are conditional and are revocable by the Bank and accordingly not included in maximum exposure to credit risk.

The Bank had no past due or overdue exposures as at 31 December 2015. The Bank had not granted any forbearance on the accounts during the year. All the exposures of the Bank are to UK based companies.

Liquidity risk

This is defined as the risk that the Bank is unable to meet its contractual financial obligations as they fall due and is unable to fund future lending growth opportunities or is able to do so only at significantly higher funding costs. The most important liquidity risk the Bank faces regards retail funding risk – i.e. the risk that retail funds may be withdrawn from the Bank at their earliest contractual maturity in the event of a stress occurring.

The Bank has a detailed Funding policy which sets out the approach to funding the asset book and at the same time limiting the concentration of the funding sources. The Bank has put in place an Individual Liquidity Adequacy Assessment (ILAA) process, which informs the Bank's Board of the ongoing assessment and quantification of the Bank's liquidity risks by defining the Bank's ILAA methodology and prescribed stress tests, how the Bank intends to mitigate those risks and how much current and future liquidity is required. The Bank also has a "Contingency Funding Plan" (CFP) in place which is designed to ensure that the Bank is able to meet its obligations as they fall due even in a stress situation. The Bank also regularly updates its Recovery plan, which is designed to detail all credible options for addressing capital and liquidity challenges under a range of stress scenarios.

The Bank's liquidity position is monitored in accordance with the Bank's Liquidity Risk Management Policy. The Liquidity Risk Appetite statements are approved by the Bank's Board. The Board's Committees, principally the Asset and Liability Management Committee (ALCO) and the Board Risk

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

Committee, are responsible for the Risk Appetite appraisals to ensure that the Capital and Liquidity Risk Appetite statements are up to date and relevant to the Bank's operations

The Finance and Treasury functions are responsible for setting and monitoring the appropriate thresholds and limits on the capital and liquidity risk drivers and the day-to-day decision making process around early warning triggers, ensuring that the Bank remains on target and within its capital and liquidity risk appetite. Further oversight is provided by the Risk function

As at 31 December 2015, the Bank had significantly higher buffer over the minimum LCR limits and over the LAB and the ILG requirements. As at 31 December 2015, the Bank held LAB eligible investments of £53.2 million

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 the Bank's banking book exposures. The risk may arise due to the following

- **Duration or Repricing Risk** The risk arising because of mismatch in repricing of assets and liabilities. The Bank's assets reprice based on the base rates while the deposit liabilities are currently fixed rate
- **Basis Risk** Hedging exposure to one interest rate benchmark with exposure to another interest rate benchmark that reprices under slightly different conditions
- **Pipeline Risk** The uncertainties of occurrence of transactions
- **Prepayment Risk** Consumers redeeming fixed rate products when market rates change

The Bank has a detailed Interest Rate 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 Treasurer is responsible for the day-to-day management of the interest rate risk position of the Bank. The CFO, reporting to the ALCO, takes an oversight role of this function with risk limits and current position against these limits reported back to the ALCO on a monthly basis

The two key measures/ reports that the Bank uses for measurement and monitoring of interest rate risk are sensitivity to 200 basis point (bps) shift in the entire yield curve to measure the interest rate risk in the banking book (IRRBB) and the basis risk exposure report

As at 31 December 2015, the NPV sensitivity to +/-200bps shift was as follows, which was well within the risk appetite limits.

	2015
	£'000
NPV Sensitivity to +2 shift	-1
NPV Sensitivity to -2 shift	11

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Notes to the financial statements For the year ended 31 December 2015

As at 31 December 2015, the basis risk exposure due to a 25bps reduction in the Base rate would reduce the net interest margin of the Bank by approximately £38K in one year, which is within the Bank's risk appetite limits

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. The Bank aims to mitigate each risk with robust controls and monitoring through a structured approach.

The Bank has an Operational Risk Policy in place. Each respective function, as the first line of defence, ensures that any operational risk in their area is mitigated by clearly defined and documented process documents and undertakes Risk and Controls Self-Assessment ('RCSA') process. Appropriate risk limits and their thresholds and early warning indicators are set. The Bank has a risk register for each functional area, which rolls up to the enterprise risk register. Reporting of appropriate MI on process effectiveness and any events or near misses is made monthly to the Operations Committee (OPCO), EXCO and Board.

Conduct, compliance and regulatory risk

Conduct Risk is defined as the risk that a firm's behaviour results in poor outcomes for customers. Conduct risk is seen across regulatory, operational and reputational risk categories. The Bank is focussed on 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. The Bank has a zero appetite for any breach of regulation, code or standard of conduct.

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

The Bank uses the customer outcomes approach to assess conduct and regulatory compliance risk. The Bank has put in place a Compliance Manual to provide an overview of the regulatory system under which OakNorth operates, to provide an outline of the Bank's Compliance policy in each area, and to provide instructions for staff in obtaining further details of the Bank's policies and procedures for compliance.

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Notes to the financial statements For the year ended 31 December 2015

22. Called-up share capital

	2015 £'000	Restated 2014 £'000
Allotted, called-up and fully-paid		
85500001 (previous period 11800001) ordinary shares of £1 each	85,500	1,180
	No of shares (in '000)	
As at 31 December 2014 (restated)	1,180	
Issue of shares during the year	84,320	
As at 31 December 2015	85,500	

23. Profit and loss account

	2015 £'000	Restated 2014 £'000
As at the start of the year/period	(255)	-
Loss during the year / period	(2,287)	(255)
As at 31 December 2015	(2,542)	(255)

24. Segmental information

The Bank operates in one segment of business which is lending. All income on such loans granted arises in the United Kingdom.

25. Related party transactions

Transactions with related parties include contract charges for services provided by OakNorth Global Private Limited, a fellow subsidiary entity, of £194K and the subscription of share capital by the Holding Company of £84.3 million, as disclosed below.

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Notes to the financial statements For the year ended 31 December 2015

	2015 £'000	Restated 2014 £'000
OakNorth Holdings Limited, Jersey		
- Subscription of shares	84,320	1,180
OakNorth Global Private Limited, India		
- Purchase of services	194	-
- Advances paid	135	-
Copal Partners (UK) Limited		
- Purchase of services	9	8
The following amounts were outstanding at the balance sheet date		
Equity outstanding		
OakNorth Holdings Limited, Jersey	85,500	1,180
Amounts owed to / (from) related parties		
OakNorth Global Private Limited, India	(135)	-
Key management personnel	6	-

OakNorth Holdings Limited, Jersey is a related party of the Bank because it is the holding company
OakNorth Global Private Limited is a related party of the Bank because it is a fellow subsidiary.
Copal Partner (UK) Limited is a related party as the Co-Founders of the Bank had the ability to significant influence financial and operational policies

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

Directors' transactions

Other related party transactions

The total remuneration for key management personnel for the year totalled £501K (period ended 2014 £248K), being the remuneration as disclosed in note 5

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

	2015			2014 (Restated)		
	Total amount paid / payable	Amount capitalised	Net amount expensed	Total amount paid / payable	Amount capitalised	Net amount expensed
	£'000	£'000	£'000	£'000	£'000	£'000
Employee costs	471	268	203	220	146	74
Short-term employee benefits	-	-	-	5	4	1
Redundancy pay	30	23	7	-	-	-
Other emoluments	-	-	-	23	23	-
Total	501	291	210	248	173	75

26. Controlling party

In the opinion of the Directors, the Bank's immediate and ultimate controlling party is OakNorth Holdings Limited, Jersey

27. Adoption of UKGAAP and transition to FRS 102

The previous financial statements, drawn up before the Bank received its regulatory authorisation and began trading, were prepared in accordance with IFRS. On commencement of banking activities, the directors considered the accounting policies to be applied and determined FRS 102 (issued on 14 March 2013) provided the most suitable accounting framework to reflect the management of the Bank's business. This is the first year that the Bank has presented its financial statements under FRS 102 issued by Financial Reporting Council. The last financial statements under IFRS were for the period from 3 July 2013 to 31 December 2014 and date of transition to FRS 102 is beginning of the period i.e. 3 July 2013. As a consequence of adopting FRS102, there have been no significant changes to the recognition and measurement of any items. The only disclosure change has been the reclassification of capitalised software from intangible to tangible assets. Details are provided below.

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

Restated Balance Sheet

	2014 As per IFRS £'000	2014 Restated as per UKGAAP £'000
ASSETS		
Loans and advances to banks	105	105
Tangible fixed assets	9	782
Intangible assets	1,020	247
Prepayments and accruals	2	2
Other assets	1	1
Total assets	1,137	1,137
LIABILITIES		
Trade payables	196	196
Provisions	16	16
	212	212
CAPITAL AND RESERVES		
Called-up share capital	1,180	1,180
Profit and loss account	(255)	(255)
	925	925
Total liabilities and capital and reserves	1,137	1,137

Reconciliation of equity

	At 31 December 2015 £	At 31 December 2014 £
Equity reported under IFRS	82,950	925
Equity reported under FRS 102	82,950	925

OakNorth Bank Limited

Notes to the financial statements For the year ended 31 December 2015

Reconciliation of profit or loss for 2015

	For the year ended 31 December 2015 £	For the period from 3 July 2013 to 31 December 2014 £
Loss for the year / period under IFRS	(2,287)	(255)
Loss for the year / period under FRS 102	(2,287)	(255)

28. Comparative information

The current financial year is from 1 January 2015 to 31 December 2015. The previous period is from date of incorporation i.e. 3 July 2013 to 31 December 2014 and hence the two periods are not comparable.

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