UK Infrastructure Bank Limited

Annual Report and Accounts 2022-2023

For the period 1 April 2022 to 31 March 2023

HC 1930

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Corporate Information

Date of incorporation
11 February 2009

Date of name change to UK Infrastructure Bank Limited
21 May 2021 (previously Infrastructure Finance Unit Limited)

Registered number
06816271

Directors

Charles Donald	(appointed 18 May 2021)
Christopher Grigg, CBE	(appointed 18 May 2021)
Marianne Økland	(appointed 5 July 2022)
Bridget Rosewell, CBE	(appointed 5 July 2022)
Tania Songini	(appointed 5 July 2022)
Nigel Topping	(appointed 5 July 2022)
John Flint	(acting from 27 September 2021, appointed 1 December 2021)
David Lunn	(appointed 18 May 2021, resigned 4 October 2023)
Annie Ropar	(appointed 20 September 2022)
Gay Huey Evans, CBE	(interim role, resigned 10 October 2022)

Accounting Officer
John Flint

Registered office
One Embankment
Neville Street
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England
LS1 4DW

External auditor
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Bank
Government Banking Service

Preface

About this Annual Report and Accounts

This document provides the reader with performance and financial data, together with explanation and analysis, to enable the reader to gain a better understanding of the work of UK Infrastructure Bank Limited ("the Bank") and how it invests taxpayers' money to deliver on its strategic objectives of helping to tackle climate change and supporting regional and local economic growth. It covers the activities of the Bank from 1 April 2022 to 31 March 2023, together with comparatives from the prior financial period, and is split into three sections:

- The **Performance and Strategic Report** contains an overview of the Bank's business, the context in which it operates and its current structure (**Our business**) together with a summary of key milestones achieved and activities undertaken during the financial year 2022-2023 (the **Performance overview**). These sections are followed by a more detailed consideration of the Bank's performance (**Performance analysis**) and development of its operations during and since the reporting period (**Building a lasting institution** and **Continued development**).

- The **Accountability Report** is split into five subsections. Our **Directors' report** sets out the Bank's governance arrangements, along with a statement on compliance with applicable requirements. The **Remuneration and Staff Report** provides a summary of the pay and benefits received by the Executive and Non-Executive Directors of the Bank's Board; it also includes disclosures on the Bank's pay and pensions policies together with required disclosures on staff numbers and staff costs. The Accountability report also includes a commentary on **Parliamentary accountability** and the **Statement of Directors' and Accounting Officer's responsibilities**, followed by the **Independent auditor's report**, provided by the National Audit Office following conclusion of their external audit.

- The **Financial statements** show the Bank's income and expenditure for the financial year, the financial position of the Bank as at 31 March 2023, and additional information designed to enable readers to understand these results (**Notes to the financial statements**).

Contents

Forewords

Chair’s statement

The Bank has thrived in its second year. We have continued to build, learn, and partner, all in pursuit of our twin objectives of helping tackle climate change and driving regional and local economic growth.

While there is still much to do, this report is peppered with evidence of an organisation that is maturing into an established entity, with a clear view of its purpose, culture and operating model, as we move beyond ‘start up’ phase. If our first year was about demonstrating we are open for business, in the financial year to 31 March 2023 we moved into confidently transacting that business on a wider scale, developing and refining our approach as we went along.

We have done this against a backdrop of continuing shocks that can, to a considerable degree, be traced back to the post-Pandemic environment and Russia’s invasion of Ukraine. These include persistent high inflation, which is running through the infrastructure supply chain, interest rates at levels not seen since before the 2008 financial crisis, and ongoing concerns about energy security. Layer on top of this significant geopolitical positioning and competition, in part as a response to the US’s Inflation Reduction Act, and the external context remains volatile.

While none of this has served to make delivery of these twin objectives any easier, it has underlined our vital role. When markets and broader circumstances are challenging, there is arguably a greater need for interventions such as the Bank.

That’s just one reason why it was so significant that we were put on a statutory footing in March, as the UK Infrastructure Bank Bill received Royal Assent, cementing our position as an enduring

part of the nation’s financial architecture. We are indebted to HM Treasury for their assured stewardship of the Bill and to all the Parliamentarians who contributed to making the Act the clear-sighted piece of legislation it is. I am confident it provides the foundations we need to tackle the challenges ahead, and to make a telling contribution to the UK’s future green prosperity.

The Bank continued to make good progress in deploying our capital, developing our pipeline and refining our offer over the course of the year, not just on the private sector side, in which we completed eight deals during the financial year, but also on the local authority side, where we laid the ground for future transactions which are now coming on stream, as well as honing our advisory skills.

Some of the highlights of our investments are detailed elsewhere in this report but, more broadly, the Board and I were particularly pleased to see the progress the Bank has made in crowding-in private capital into the initiatives we support – one of our four Investment Principles. In the reporting year alone, our completed transactions mobilised £7.8 billion of private capital, and the total figure overall stands at £9.7 billion as at the end of September 2023.

All of this gives us the platform to move forward with confidence. We can increase the ambition of our investments, while remaining on mandate, adopting an appropriate risk appetite, and meeting our target for return on equity. We have recently set out details of our approach to our investment activity through updates to our private and local authority strategic plans, further details of which can be found in the “Continued Development” section of this Annual Report and Accounts, on pages 50 and 51.

The Bank continued to grow its skills and resources at pace over the year, and we were pleased to welcome the Economic Secretary to the Treasury to open a further floor of our Leeds head office in February.

Our Chief Executive, John Flint, made excellent progress in appointing his Executive Committee and I am grateful to him and his senior team for their hard work, commitment and ingenuity. Across both the Executive Committee and the Board, we have a breadth of skills, experience and background that I am confident will provide the respectful challenge, collaborative problem solving, and sense of shared endeavour that are integral to any effective system of governance.

I am also pleased that we continue to build an organisation that is diverse by design, while being aware that this is never a given, and that, as some of our staff move on to other things, and new ones come in, we will need to be constantly vigilant that this remains hardwired into our make-up.

So, while we must always retain our humility and hunger to improve and refine, there is much the Bank can be proud of over the past year. From a standing start just over two years ago, we have made good progress across the breadth of our activities.

Chris Grigg

Chair, UK Infrastructure Bank Limited

Chief Executive Officer’s statement

As the inaugural Chief Executive of UK Infrastructure Bank my key responsibility is to build the foundations of an enduring organisation in order that the Bank can fulfil the potential of the mandate given to it by our shareholder, HM Treasury.

The future success of the Bank is very much dependent upon the calibre of the founding team, and the people we are able to recruit. We are building a human asset – a collection of people with the skills and experience required for the task of deploying £22 billion of public money well. I am delighted with the progress made to date.

We made permanent appointments to our Executive Committee, attracting the highest calibre individuals from across the public and private sectors. Our Executive Committee has a level of gender balance and diversity which I believe is rare in the Banking sector. As we complete our organisation in the coming year, we remain committed to being diverse by design and to building a culture with the risk appetite appropriate for our mission. We aim to create an organisation where our people can thrive as they take on some of the most critical and compelling challenges of our time.

The Bank exists to solve problems that the markets on their own are unable to solve. In the past year we have made further progress in demonstrating to the market the role we can play and the impact we can have.

The deal pipeline is healthy and growing rapidly – we closed eight transactions in 2022/23, investing £1.1 billion into projects across our priority sectors and across the UK, mobilising £7.8 billion

of private finance and creating or supporting almost 3,300 jobs in the process. As at the end of September, our investments totalled nearly £1.9 billion, with £9.7 billion of private capital mobilised, and over 5,700 jobs created or supported.

Our Local Authority advisory service has moved through its pilot phase, supporting initiatives in Greater Manchester, West Yorkshire and Bristol, with its own emerging pipeline of projects to take forward.

In our second year, the mutual benefit our investments can deliver for both the transition to net zero and regional and local economic growth has become clear. We see exciting potential to support the conversion of the UK’s industrial heartlands into prosperous and sustainable green economies.

The ecosystem into which the Bank was born is complex and is evolving rapidly. As each month passes the Bank is making good progress in carving out its place in this ecosystem, focusing on what we are here to do. We are not a think tank, nor are we a non-governmental organisation. We don’t make policy and we don’t award grants. We are a publicly owned policy Bank investing in the infrastructure of the UK. We have money to deploy and an appetite for risk that is different to that of the market.

We are a small organisation but we are already beginning to have an impact. I am confident that impact will grow as we continue to build our skills and capabilities in the year ahead.

I would like to thank all my colleagues at the Bank for their contributions during the past year. I am also grateful to the Board for their support and guidance, and for the support of our shareholder HM Treasury.

John Flint

Chief Executive Officer, UK Infrastructure Bank Limited

Performance and Strategic Report

Our business

Launched in June 2021, the Bank is a government-owned policy bank, designed to increase infrastructure investment across the United Kingdom. Our mission is to partner with the private sector and local government to increase infrastructure investment in pursuit of our two strategic objectives:

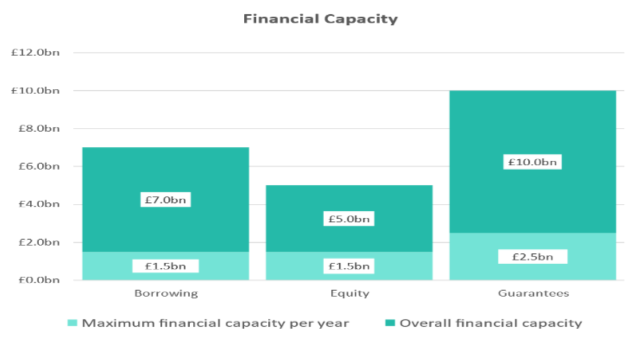
- **to help tackle climate change**, particularly meeting the government's net zero emissions target by 2050; and
- **to support regional and local economic growth** through better connectedness, opportunities for new jobs and higher levels of productivity.

Our financial framework

The Bank's overall financial capacity is £22 billion, including £12 billion of debt and equity capital and £10 billion of guarantees. Of the £12 billion of equity and debt capital, £4 billion will be allocated to local authority lending.

On an annual basis, a maximum of £5.5 billion of the financial capacity limit is available. Of this, £3 billion is split evenly between borrowing from and the issuance of equity to the Bank's Shareholder, with a further £2.5 billion available to be issued through guarantees.

The Bank partners with the public and private sector to increase infrastructure investment. The Bank's private sector lending prioritises investments where there is an undersupply of private sector financing and, by reducing barriers to investment, the Bank can crowd-in private capital. The Bank's local authority function supports local authorities in delivering their infrastructure priorities.



Our operating principles

Our first strategic plan, published in June 2022, sets out how we will deliver on our mission and we have five principles that are central to the way we want to operate:

Delivering on our triple bottom line: our investments must achieve one or both of our strategic objectives, generate a positive financial return and demonstrate additionality – focussing on where there is an undersupply of private sector financing and reducing barriers to investment – thereby crowding-in private capital.

Impact: we will focus our investments where we can make the biggest impact.

Partnership: we will collaborate with private and public sector stakeholders to facilitate and increase infrastructure investment.

Flexibility: market conditions evolve, and we will change with them, adapting our approach and priorities as needed. Our investment strategy is designed to be flexible and leverage our ability to invest across the capital structure.

Operational independence: we are wholly owned and backed by HM Treasury, but we have operational independence in our day-to-day activity.

Our activities

Provision of infrastructure finance

We have four core investment principles and assess investment opportunities against these:

Investment principle 1: The investment helps to support the Bank's objectives to drive regional and local economic growth or support tackling climate change.

Investment principle 2: The investment is in infrastructure assets or networks, or in new infrastructure technology. The Bank will operate across a range of sectors, but will prioritise clean energy, transport, digital, water and waste. The Bank can also invest in natural capital and critical supply chains.

Investment principle 3: The investment is intended to deliver a positive financial return, in line with the Bank's financial framework.

Investment principle 4: The investment is expected to crowd-in significant private capital over time.

Private sector projects must meet all four of our investment principles, and local authority projects must meet the first three.

Private sector financing

We offer corporate and project finance and invest across the capital structure, including debt, guarantees and equity.

Most infrastructure deals are bespoke and our investment approach is designed to be flexible. We assess each deal on a case-by-case basis to identify the financing structure that best fits a deal's needs and supports our mission.
We will often invest on terms in line with other investors. Where necessary, we can provide concessional finance. This includes taking on risks that other investors are unwilling, or not yet willing, to take in a way that encourages the development of markets; and offering preferential terms, including on price and tenor. The UK's subsidy control rules prohibit us from providing concessional finance to projects that can fulfil their financing needs through commercial lending.

Local Authority function

Our Local Authority function supports local authorities as they respond to the commercial and financial challenges they face when delivering place-based infrastructure that tackles climate change and supports economic growth.

By providing local authorities with access to expert advice and market leading debt finance we:

- Help local authorities navigate commercial and financial complexity to improve project outcomes and protect commercial interests;
- Increase the volume and ambition of infrastructure projects led by local authorities across the four nations by instilling confidence and providing specific sector knowledge and experience; and
- Help address the skills and financial constraints faced by local authorities delivering infrastructure projects.

Management of the UK Guarantees Scheme

We receive fees for managing, on behalf of HM Treasury, existing guarantees already issued under the UK Guarantees Scheme. These were previously the responsibility of the Infrastructure and Projects Authority and they are not recognised in the Bank's financial statements.

Our engagement

Partnership underpins everything we do at the Bank. Our mission requires us to complement rather than compete with the market. As such, we seek to engage openly with our stakeholders, valuing their insight on how we should invest.

We are building strong relationships across the infrastructure landscape to build our deal pipeline and establish ourselves as a credible investor.

We work with the Scottish and Welsh Governments and the Northern Ireland Executive to increase infrastructure investment in all nations of the UK.

More information about our engagement with stakeholders is set out on pages 61 to 62.

Our organisational structure

During the financial year to 31 March 2023, the Bank made significant headway in the recruitment of its permanent workforce. The initial focus was on increasing the breadth of expertise at Board level and recruiting permanent members of our Executive team. Each member of the Executive team then finalised the structures and recruitment plans for their own functions. The recruitment and staffing activities for the financial year are detailed in our Performance Analysis on pages 33 and 34.

The graphic below sets out the Non-Executive and Executive Directors in role at 31 March 2023. It also details post-holders who held oversight responsibility prior to the recruitment of the permanent Executive team:

Non-Executive Directors

Board Chair and Nominations Committee Chair	Board Member and Shareholder Representative Director	Board Member, Senior Independent Director and Audit & Risk Committee Chair	Board Member	Board Member	Board Member and Remuneration Committee interim Chair
Chris Grigg	Charles Donald	Bridget Rosewell	Marianne Økland	Nigel Topping	Tania Songini

Executive Team

Chief Executive Officer [1]
John Flint

Senior Advisor [1]	Chief Financial Officer [1]	Chief Operating Officer	General Counsel	Chief Strategy & Policy Officer	Head of Banking	Chief People Officer	Chief Risk Officer	Head of Portfolio Management	Chief Impact Officer & Chief Economist
David Lunn [3]	Annie Ropar [2]	James Emmett [3]	Davinder Mann [2]	Helen Williams / Kate McGavin	Ian Brown [2]	Patricia Galloway [2]	Peter Knott [2]	Stuart Nivison	Urvashi Parashar
	Chris Hitchen (Finance Director)	David Lunn	Rachel Kent		Steve Lomas / Tony Walsh	Peter Davison	Manda McConnell		Alex Doyle / Shailaja Annamraju

Notes to the above graphic:

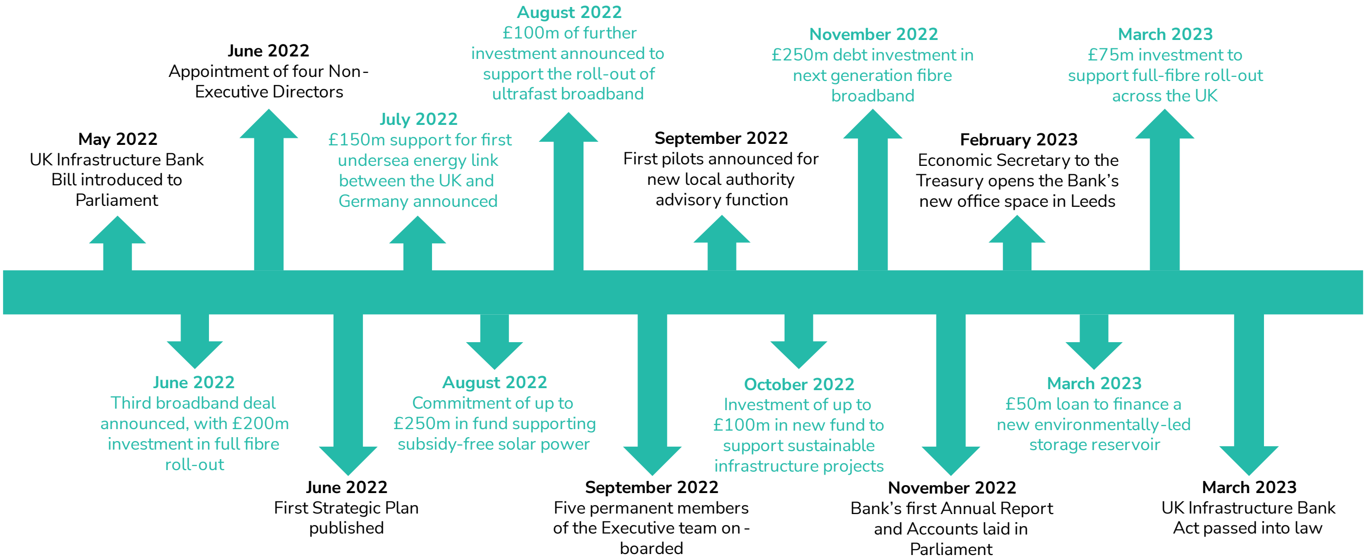
1 Executive Director members of the Board.

2 Executive Directors who joined during in the summer 2022, prior to which the roles were held by interim appointments.

3 James Emmett joined in March 2023 as Chief Operating Officer. The post was previously held in an interim capacity by David Lunn, who subsequently took up the role of Senior Advisor to the Bank.

Performance Overview

Key events in 2022-23



In our first full financial year to 31 March 2023, we have continued to establish our presence in the infrastructure market. Signing 8 new deals, we have increased our own financial commitments by over £1.1 billion (2022: 0.3 billion) and successfully mobilised a further £7.8 billion (2022: £0.3 billion) of private capital commitment during the period. In addition to our investment activity, there have been many other highlights for the Bank during the year:

- We recruited permanent members of our Executive team, enabling us to ratify our organisational design and press forward with recruitment into permanent roles across the Bank;
- Four new Non-Executive Directors were appointed by HM Treasury, enabling the Board to further develop and embed governance structures and oversight;
- We published our first strategic plan in June 2022, setting out how we will deliver our mission;
- We finalised the structure of – and gained Shareholder approval for – our financial guarantee product;
- We launched our Local Authority Advisory service and announced our first three pilot projects; and
- Royal Assent was granted to the UK Infrastructure Bank Act in March 2023.

2022-23 financial outcomes at a glance

Business outcomes	2022-23	2021-22
Profit / (Loss) before taxation	(£21 million)	£110 million
Net comprehensive (expenditure) / income	(£6 million)	£104 million
Return on Equity ("ROE")	-3.8%	29.8%

Notes:

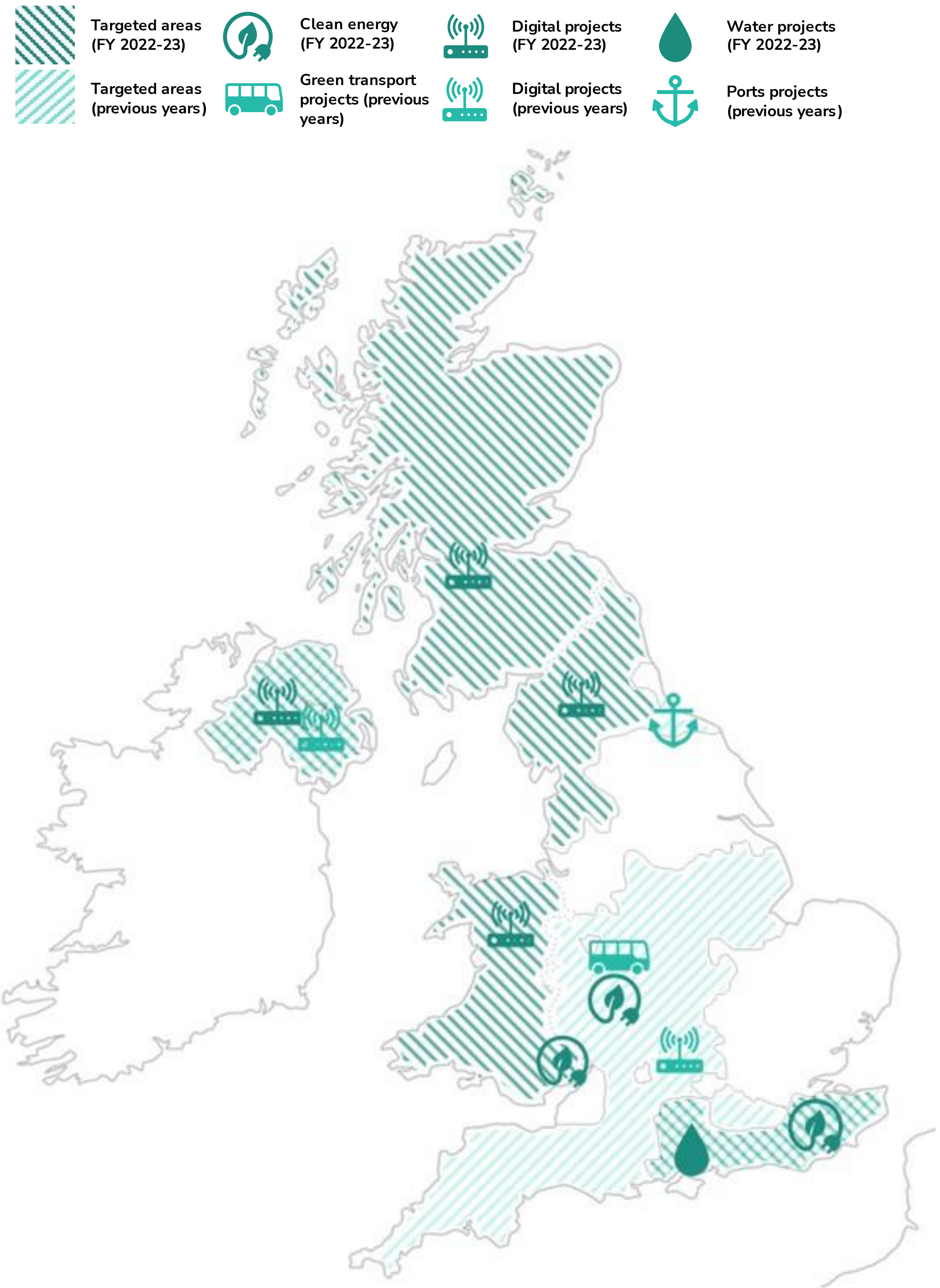
The adjusted ROE calculation comprises profit / (loss) before taxation, plus any exceptional items as may be agreed with our Shareholder, HM Treasury, divided by our average shareholder equity in the period plus the average of any cumulative exceptional items.

The loss before taxation and net comprehensive expenditure for the financial year 2022-23 are in line with expectations at this stage of the Bank's development. The positive outturn achieved in the financial year 2021-22 ("FY 2021-22") was anomalous to expectations and driven by a significant return from the sale of an underlying investment within one of the funds with which the Bank was seeded. Further detail is provided in the section on "Our financial results" on page 18.

Investments

The Bank signed eight new deals during the financial year, which spanned the clean energy, digital and water sectors (FY 2021-22: five deals). A total of £1,105 million (FY 2021-22: £310 million) was committed, all of which was in the private sector (FY 2021-22 split: £193 million private sector; £117 million public sector). The graphic below provides a high-level view of where our investments will impact UK regions.

Geographical coverage of our investments since inception



The impact of our deals

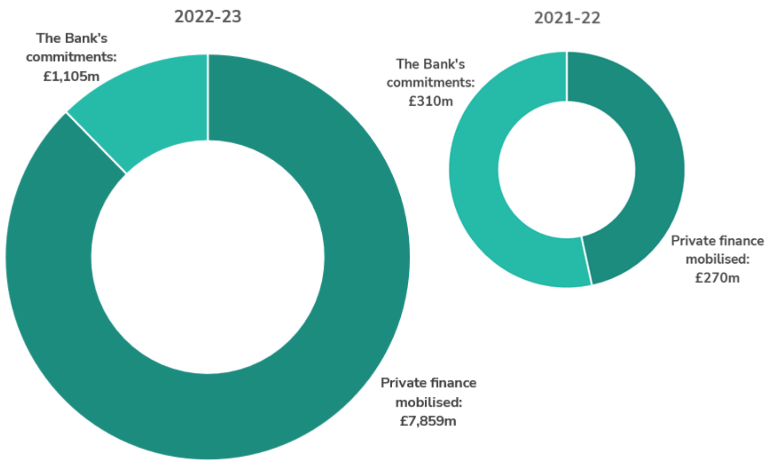
During the financial year to 31 March 2023, we have calculated the impact and additionality of our deals in terms of the following metrics:

- the amount of private investment mobilised as a result of the Bank entering into the deal;
- the number of jobs supported or created from those projects that are attributable to the Bank's financing; and
- Relative Greenhouse Gas emissions, measured in tonnes per CO_2 equivalent ("tCO_2e"), that are expected to be created or saved as a result of the Bank's share of the projects financed.

More detail on how we have developed our approach to impact and additionality is provided in the "Performance Analysis" section on pages 22 to 24.

Through the total investments that we have made since inception to the end of the financial year to 31 March 2023, the Bank will:

... mobilise **£8.1bn** in private capital



... support or create over

4,300 direct jobs:

> 1,130 2021-22

> 3,200 2022-23

... and save over

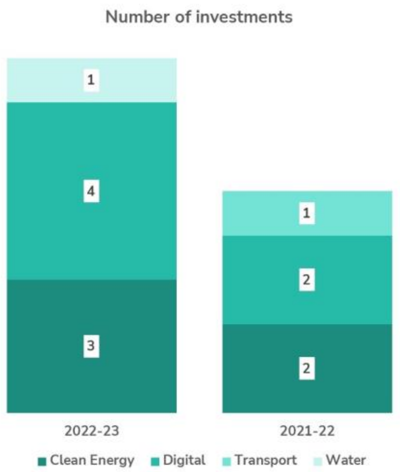
1.8 million

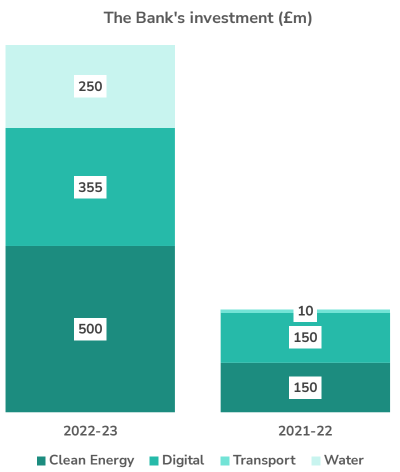
tonnes CO2 equivalent greenhouse gases:

> -180k 2021-22

> 2 million 2022-23

Our investment footprint and impact by sector:





* Our digital investments support different companies' rollout plans. Changes to those ambitions andsome overbuild by different companies is possible.

Our investments will help...

Clean energy

... install up to **2GW** solar capacity powering up to **30,000** households and ...

... install a further **1.4GW** in capacity through one of the world's largest interconnectors

Digital

... up to **15 million** homes passed with fibre broadband*

Water

... build the first reservoir since the 1980's, capable of storing **21 million** litres of water, serving up to **160,000** customers

Working with local authorities

We have continued to build out our Local Authority function during the year, reaching a number of important milestones in the process, including:

- Launching our dedicated Local Authority Advisory service and running pilots with three local authorities;
- Significantly expanding our engagement with local authorities across the UK;
- Announcing new partnerships with government grant schemes to further tackle climate change; and
- Collaborating with the Local Low Carbon Accelerator, a sub-group of the Prime Minister's Business Council.

Further detail on these activities is provided in the "Performance Analysis" section on pages 29 and 30.

Our financial results

The Bank returned a loss of £21.5 million before taxation in the year (FY 2021-22: a profit of £109.8 million). It should be noted that, for each new investment, we recognise any expected credit losses ("ECLs") at the point of our financial commitment to the deal. Making provisions for possible default on investments in the portfolio is both prudent and the appropriate accounting treatment. However, with the portfolio currently in its infancy, the assets do not yet generate levels of income in-year – from interest, fees and commission – sufficient to absorb the ECLs of each new investment that we commit to.

The loss returned in the financial year was therefore in line with our expectations, given this was only the first full trading year and the Bank was still building its front office banking team, as we continue to grow our balance sheet and expand our operational footprint. It will take time for the Bank to become consistently profitable on an annual basis; our current projections are that this steady state should be achieved from the 2026-2027 financial year.

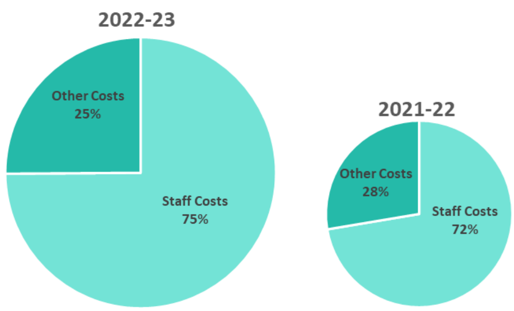
Net operating income

During the financial year, our net operating income was £14.4 million (FY 2021-22: £122.0 million), of which interest, fees and commission income amounted to £10.9 million (FY 2021-22: £2.2 million).

The Bank recognised fair value gains arising from fund investments of £11.7 million (FY 2021-22: £123.0 million). A substantial proportion of the gains realised in the prior financial year (to 31 March 2022) arose from the sale of an underlying investment within the CIIF; we noted in our prior year Annual Report and Accounts that this was considered an anomaly to normal performance expectations.

As already noted, our net operating income includes the recognition of increases in ECLs which amounted to £8.2 million (FY 2021-22: £3.2 million).

Expenditure



Total operating expenditure excluding tax amounted to £35.8 million for the year to 31 March 2023 (FY 2021-22: 12.2 million). The significant majority of our expenditure related to staff costs.

Going concern

An explanation of the adoption of the going concern basis for these accounts is set out in the section on "Going concern and Statement of viability" on page 54.

Fund investments

The Bank was seeded with two funds, which were held on the entity's balance sheet prior to the Bank's inception in June 2021. The Digital Infrastructure Investment Fund ("DIIF") and the Charging Infrastructure Investment Fund ("CIIF") were set up by HM Treasury in 2017 and 2018 respectively. Whilst the Bank continues to make investments into these funds, it is important to note that these additional investments are not considered 'new' deals for the purposes of reporting the number of deals into which the Bank has entered since its inception.

During the financial year to 31 March 2023, the Bank provided £129.5 million of funding to the energy and digital connectivity sectors, not just through further investment into the CIIF and DIIF, but also through new investments into the NextPower UK ESG fund ("NPUK ESG"), the Infracapital fund and the Octopus Sustainable Infrastructure Fund ("OSIF") (FY 2021-22: £27.8 million added to CIIF and DIIF only). The overall investment, including the fair value gains, stood at £308.7 million at 31 March 2023 (2022: £170.1 million).

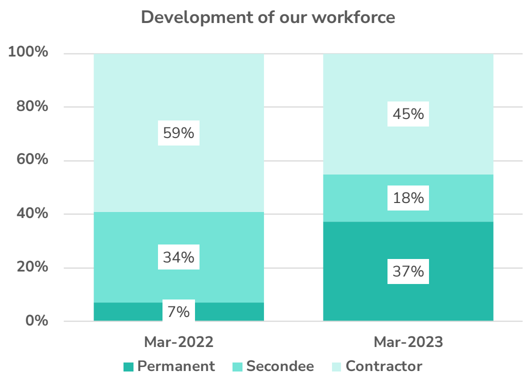
Building a lasting institution

Our people

By the end of the financial year to 31 March 2023, we had increased our establishment to 194 Full Time Equivalents ("FTE"), the significant majority of whom were based in our Leeds head office (31 March 2022: 127). Our target is to have at least 90% of colleagues with a work location outside London (see "Workforce location" on page 82 for further detail).

The main thrust of this growth was across our Banking, Human Resources, Impact and Procurement functions and a key focus during the period was resourcing up into permanent roles in the Bank, to progress towards our target operating model.

The chart below sets out how we are changing the balance of our workforce, moving away from reliance on contractor and secondee resource, in line with our organisational design plans.



Governance

During the year we have made significant progress in further embedding our core governance frameworks and establishing additional controls and oversight.

The Bank's first Strategic Plan was published in June 2022, setting out our view of the market and where we expected to see opportunities to invest over the next five to eight years.

The Board set up three Committees to enhance its focus on matters relating to audit and risk, remuneration across the Bank and the appointment, oversight and evaluation of our most senior leaders.

In addition we finalised our framework for risk management and internal control, discussed in more detail on pages 39 to 45, and our independent Internal Audit Services function commenced work on its schedule of assurance activities.

We also reviewed our governance oversight and structures to assess alignment to the UK Corporate Governance Code; and put in place appropriate structures and activities to bring compliance with the relevant aspects of that Code prior to 31 March 2023 (see also our "Corporate governance statement" on page 59).

The UK Infrastructure Bank Act

In March 2023, the UK Infrastructure Bank Act was passed into law. This was a significant milestone for the Bank as it set us up in legislation as an enduring institution for the whole of the UK. The new Act placed the Bank on a statutory footing, confirming its long-term future and recognising its important role in helping to address climate change and boost regional and local growth.

For the Bank, an important element of the Act was that 'infrastructure' was defined as including nature-based, as well as technological, solutions. This helped further define the scope of our potential investment activities.

The Act has also empowered the Bank to lend directly to local authorities across the UK including, for the first time, to local authorities in Northern Ireland.

Guarantee product

The existing guarantees administered and managed under the UK Guarantees Scheme on HM Treasury's behalf are in addition to the Bank's ability to issue £10 billion of new guarantees in its own name. In February 2023 the Bank launched its own financial guarantee product, which is backed by the Sovereign Infrastructure Guarantee, a counter-guarantee provided to the Bank by HM Treasury. No new guarantees were issued by the Bank during the financial year.

Performance Analysis

Outline

Our first full year of activity saw a continued focus on engaging with the market, in both the private sector and with local authorities. We received just under 250 enquiries for finance arrangements during the year, assessed potential investment opportunities across each of our priority sectors and committed to eight new deals that aligned to our objectives.

In the sections below, we set out how we've developed our approach to the impact and additionality of our investment activities, and how these apply to the deals the Bank has entered into during the financial year to 31 March 2023.

We also discuss the development of our Local Authority function and the milestones achieved in the period, before looking in more detail at the financial outcomes of our activities.

However, whilst our investment activities are of course fundamental to achieving our strategic objectives, we would not have been able to develop our deal pipeline without further focus on recruiting our permanent employee base. In the section "Building a lasting institution" on pages 33 to 48, we provide more detail on how we have successfully progressed our recruitment programme and continued to strengthen our governance, systems and processes to support our expanding operational activities.

Our impact and additionality

Our progress

Impact and additionality are central to the Bank's strategic objectives and its triple bottom line.

In the last Annual Report and Accounts, we committed to provide more detail on how we will capture the impact of our investments and activities, develop a broader set of metrics, and develop a robust plan for evaluating the Bank's activities.

During the financial year to 31 March 2023, we published our approach to additionality in October 2022[1], and developed our Impact Framework and Environmental, Social, Resilience and Governance[2] ("ESRG") Framework, which were published in May 2023[3].

Guided by a set of core principles, our approach to measuring impact will be:

- credible and transparent;
- evidenced-based and consistent;
- proportionate; and
- focused on learning and feedback.

The Impact Framework sets out:

- our approach to impact, including identifying the principles and pathways to achieving impact. The pathways help inform our assessment of deal impact and set out the metrics we use to assess our impact;
- how we plan to monitor progress towards our impact goals and evaluate our impact and additionality to help the organisation learn.

Our finance has been critical to all the deals in which we have invested. Our additionality guidance explains:

- how we test and assess the extent to which impact would not have materialised without us, at the deal level.
- how we will maximise the Bank's achievement against its strategic objectives, for example through crowding-in investment, offering flexible financial products and accelerating project delivery.

We can already point to promising early signs of the positive impact our investments are expected to have. The Bank had committed to £1.4 billion

[1] www.ukib.org.uk/additionality-ukib-investments-our-approach
[2] We include climate resilience of UK infrastructure in ESRG as it is part of our mandate.
[3] www.ukib.org.uk/impact-framework-and-esrg-framework

of new investments from its inception to the end of March 2023 (2022-23: £1.1 billion; 2021-22: £0.3 billion) and these investments are expected to generate 1.8 million tonnes of carbon savings – more than the annual domestic carbon emissions of a city the size of Leicester – and create or support around 4,400 jobs.

We have invested where we are additional to what the private market could achieve without us. Some projects faced liquidity constraints due to market conditions or were challenged by the scale of financing required within given timescales. Other investments have helped to develop new business models and scale technologies, such as our investments into OSIF and the NPUK ESG fund. Our digital investments have enabled greater speed and scale of rollout in less commercially viable, under-served areas. To date, most of our investments have accelerated progress towards government targets across the clean energy and digital sectors, and for others our involvement was key to accelerating project and / or financing timelines.

Our impact pathways

We developed the impact pathways[4] to define our routes to increasing investment in resilient and sustainable infrastructure to support the UK's net zero transition and contribute to improved local economic opportunity and productivity. Through our investments, leadership, partnering and our expert advice, we will generate outputs which contribute to the outcomes we seek – across our deals and portfolio.

Stemming from the impact pathways, we have developed a suite of metrics that can be used to measure, monitor and evaluate our impact over time. The specific metrics we draw upon for each investment will vary by sector; and some are derived from deal level information we routinely collect and will supplement the core metrics we track across every deal.

An example of how the impact pathways relate to our digital sector deals is set out below. Through our digital investments, we expect to have contributed to local economic opportunities and productivity by improving both digital connectivity and access to higher quality jobs.

Digital deals - how our digital investments contribute to long-term impact

- 6 digital deals signed from the Bank's inception to 31 March 2023, 4 of which were signed in the financial year 2022-2023
- The Bank has committed £705 million to these deals, of which £555 million was in the financial year 2022-2023

Outputs

As a direct result of the Bank's investment in the digital sector...

Private finance mobilised

Over £6.8 billion Private Finance Mobilised through digital projects (2023: £6.6 billion; 2022: £0.2 billion)

Scaling up proven infrastructure

3.7 million increase in homes with access to gigabit-capable broadband connections in areas meeting our impact criteria*

Jobs created and safeguarded by the Bank's investments

Over 1,100 jobs created/ supported in building and/or maintaining new digital networks (2023: almost 800; 2022: over 300)

Place based lens & targeted criteria deployed

Some digital deals have criteria on the areas eligible for gigabit-capable broadband rollout based on their current coverage, skill and productivity levels

Outcomes

In the medium-term our investments will have contributed to...

Increased digital connectivity and reduced service disruption

Increase in capacity from digital investments reflected in wider market data on household access to gigabit-capable broadband

Barriers the Bank's investments intend to address

Digital deals addressing barriers to universal provision in the broadband market, helping access in hard-to-reach areas

Impact Goal

Longer-term outcomes will be...

Improved local economic opportunity and productivity

Improved productivity in areas benefitting from the digital rollout, as measured by GVA per hour.

Improved wages in areas benefitting from digital rollout as measured by gross weekly median pay

Several of our deals contribute to more than one of our impact pathway outcomes.

Our digital investments primarily support improved local economic opportunity and productivity through the benefits improved connectivity can bring. Full fibre is the most energy-efficient broadband technology, hence also supporting the UK's transition to net zero.

*Note that one investment is a Fund, for which we cannot determine homes passed.

[4] www.ukib.org.uk/sites/default/files/2023-05/UKIB-Impact-Framework.pdf

How we deliver investments that are impactful and add value

Our frameworks and guidance support a consistent approach to the impact and additionality we seek through every investment we make. The impact framework introduces tools that we can use to evaluate our contribution in the long term – ensuring evaluation generates learning which we can then feedback into our decision-making.

Every deal is assessed on a case-by-case basis to identify whether it credibly demonstrates impact and additionality. To do that, we ask questions tailored to the specific characteristics of the project and the context at the time. We are transparent in sharing summary assessments of expected impact and additionality via our published deal factsheets.

The case studies below and overleaf provide examples of how we consider and apply our frameworks and guidance on impact, additionality and ESRG to shape and influence investments to better deliver on our mission.

Case study: Investment in Havant Thicket to build the UK's first reservoir in 30 years ... the Bank's first investment in the water sector and our first investment in climate resilience

Amount committed: £50 million
Date: March 2023
Location: Hampshire

Investment Summary and Rationale

Government's strategic priorities for Ofwat, 2022, note that the resilience of the water sector is becoming ever more important, with increasing pressure from climate change and population growth. Addressing challenges in the water sector, one of the Bank's priority sectors, will require significant investment in complex, cross-boundary water solutions.

Providing up to £50 million to support Portsmouth Water's Havant Thicket Reservoir, an environmentally-led project in a water-stressed part of Hampshire, our investment is enabling the first reservoir to be built in the UK since the 1980's and bringing a collaboration between two water companies.

The reservoir will play a vital role in protecting internationally-rare chalk rivers by providing a new, sustainable source of water. This innovative and collaborative project is worth £340 million and will span 160 hectares between Leigh Park, Havant, and Rowlands Castle in East Hampshire.

Impact, Additionality and ESRG

When the investment first materialised, the Bank deliberated over the resilience aspects of the project. To support our thinking, we developed a resilience note, considered how to integrate resilience within our impact pathways and recognised the importance of integrating resilience into our ESRG framework.

This helped us identify how the project can support both our climate change and local economic growth objectives by boosting the resilience of water supply systems or services in Southern England and reducing the likelihood of disruptions for local communities. In 2022 the South of England experienced its driest month on record and an official drought was declared in many parts of England. The reservoir is expected to increase the supply of water to the Southeast by up to 21 million litres per day, directly benefiting 160,000 customers in the catchment area. The Bank's investment is needed to ensure these benefits are delivered without delay, ensuring the expected positive impacts and indirect leisure and nature benefits are realised sooner.

Case study: Investment in NeuConnect Electricity Interconnector project

Amount committed: £150 million
Date: July 2022
Location: Kent

Investment Summary and Rationale

The Bank announced an investment of £150 million to support the £2.4 billion NeuConnect Electricity Interconnector project, which will build the first undersea energy link between the UK and Germany, due to come online in 2028. With a capacity of 1.4GW, the interconnector will integrate renewable energy sources in the UK and Germany, allowing low-carbon power to flow in either direction, with independent analysis shared with Ofgem showing that the project could deliver a net reduction in carbon emissions of over 13MtCO2 over 25 years. By connecting two of Europe's largest energy markets for the first time,

NeuConnect will help to deliver a more secure and resilient energy supply in the UK and Germany, with independent further analysis showing the project will create over £1.7bn in UK consumer benefits over 25 years. The project supports government's target of achieving at least 18GW of Interconnector capacity by 2030. NeuConnect reached Financial Close in July 2022 with the Bank forming a central part of a consortium of more than 20 national and international banks and financial institutions, ensuring the delivery of this vital new energy link.

Interconnectors enable the UK electricity market to trade with other markets, enhance the flexibility of our energy system and have been shown to have clear benefits for decarbonisation and energy security. Government research and analysis has demonstrated how a higher level of interconnector capacity could decrease cumulative emissions by 2050, as well as reduce total system costs. Interconnection will be critical in realising government's offshore wind targets and maintaining security of supply; this project helps meet the government's ambition to double interconnector capacity by 2030.

Impact, Additionality and ESRG

The project supports the UK's net zero transition as one of the largest interconnectors in the world, reducing the need for fossil fuel generation when an individual interconnected country is not producing as much wind or solar power.

The Bank's assessment following discussion with lenders and market experts is that the Bank's investment was important to provide liquidity into a delayed nationally significant project. At the time of investment, the project was challenged by the scale of financing required, tight timescales, and inflationary pressures.

NeuConnect adhered to the Equator Principles and undertook a range of statutory Environmental Impact Assessments through the planning process. NeuConnect's majority shareholder, Meridiam, received an Advanced Sustainability Rating from VigeoEiris (Moody's) and assessed project impact against the UN's Sustainable Development Goals. An ESG assessment undertaken by Moody's on behalf of NeuConnect found that under this activity, the project is classed as Green. Environmental risks were assessed in the comprehensive screening and found to be predominantly low.

Investments

During the year we signed eight deals across the clean energy, digital and water sectors.

Clean energy

The Bank signed three deals in the clean energy sector during the year to 31 March 2023.

NeuConnect

As noted in the case study on the previous page, the first of these deals was in support of the £2.4 billion NeuConnect project. At the time of investment, the project was facing significant challenges; the Bank's investment was important to provide liquidity into a delayed and nationally significant project.

The deal is structured into two parts, with the Bank providing £150 million to the UK side of the project alongside £1bn from other UK lenders. The German side of the deal is structured in a similar way and is supported by the European Investment Bank.

The energy link will facilitate the movement of electricity between two of Europe's largest energy markets, enabling the exchange of surplus energy from renewable sources such as solar and wind. Once built, this new source of power will support the UK in reaching its net zero targets and provide greater energy security for the country.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
843	c.30	£259m

NextPower UK ESG ("NPUK ESG")

The second clean energy deal of the financial year was announced in August 2022, with the Bank acting as a cornerstone investor in the NPUK ESG fund. The Bank's involvement was important to securing co-investors in the run-up to first and second close of the fund, increasing confidence that the fund would reach its target.

The fund was set up to invest exclusively in solar plants based in the UK, enabling the construction of up to 60 plants across the UK. These are expected to have the capacity to provide up to 2 GW of clean energy annually – the equivalent of powering around 500,000 households each year. By the end of March 2023, the Bank had committed £250 million to the fund.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
1,262	c.2,250	£500m

Octopus Investments

In October 2022, the Bank committed to investing in a new fund to provide scale-up capital for the next generation of infrastructure across the UK.

The Bank worked with Octopus Investments to create the fund and will commit up to £100 million on a match-funding basis, unlocking between £100 million to £300 million of private capital. The fund itself will invest in companies developing and rolling out sustainable infrastructure projects in emerging sectors, such as battery storage or electric vehicle charging, for which mainstream financing is not yet available.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
Not yet known	c.200	£300m

Digital

Four of the deals that the Bank signed during the financial year were in the digital sector.

CityFibre

In the first of these transactions, the Bank confirmed its position as a cornerstone lender, committing to a deal with CityFibre to bring broadband to millions of homes in England and Scotland. The Bank's investment of £200 million helped mobilise investment at scale into a deal that will benefit families and businesses in 285 towns and cities from Plymouth to Dundee, by 2025.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
(14)	c.500	£3,700m

Infracapital

In August 2022, the Bank committed to an investment of up to £100 million in a deal that built on the Bank's existing relationship with Infracapital through the Digital Infrastructure Investment Fund. A deal for £30 million of this total was signed during the financial year.

The investment will help accelerate the digital roll-out across the UK by delivering ultrafast broadband to rural homes.

Our expected impact metrics for this tranche of the overall deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
(1)	c.240	£30m

nexfibre Networks

The Bank also made a £250 million debt investment in the next generation fibre broadband company nexfibre Networks which is planning to roll out full-fibre broadband to 5 million homes across the UK by 2026. Whilst this deal was agreed and signed within the financial year to 31 March 2023, it was not announced to the market until July 2023. The Bank's involvement in this deal helped to underpin what was the second largest debt raise seen in the UK digital market to date.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
(23)	c.50	£2,750m

Netomnia

In the last of our four deals in the digital sector during the year to 31 March 2023, the Bank committed to an investment of £75 million in a deal that will enable the roll-out of full-fibre broadband to a total of 1.5 million homes across England, Scotland, Wales and Northern Ireland by 2025. Importantly, the 2-year project run by Netomnia will look to deliver fast and reliable broadband to up to 675,000 premises (nearly half the total roll-out) in areas that are considered to be less commercially viable.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
(3)	c.50	£155m

Water

The Bank's first investment in the water sector was also signed during the period.

Portsmouth Water

In March 2023, the Bank provided a loan of £50 million to finance a new environmentally-led storage reservoir for the South of England. This was the Bank's first deal aimed at improving climate resilience, investing alongside private sector partners in a collaboration between water companies to finance the Havant Thicket Reservoir, managed by Portsmouth Water.

The Bank's funding helped reduce delays to the project, thereby accelerating the realisation of both direct positive impacts and indirect benefits.

Further detail is provided in the Case Study on page 24.

Our expected impact metrics for this deal are:

Relative GHG emissions saved (ktCO2e)	Total Jobs Supported / Created	Finance Mobilised
(20)	c.10	£165m

Working with local authorities

In the year to 31 March 2023, we continued to invest in our Local Authority function with appointments into several senior positions. This enabled us to reach a number of important milestones during the period.

Launch of our Advisory service

In September 2022 we launched our Advisory service to help local authorities solve problems they face when developing infrastructure projects. We ran three pilot projects, which supported:

- Bristol City Council, on the delivery of their innovative City Leap partnership, which aims to deliver £1 billion of net zero infrastructure, including strategic heat networks, over the next 20 years;
- West Yorkshire Combined Authority, as they developed their plans for a new and transformational Mass Transit programme for the region; and
- Transport for Greater Manchester, which wanted to accelerate ambitious plans for the transition of a third of the city region's overall bus fleet to a zero-emission fleet by 2027.

In total during the year, we worked with seven authorities across three of the UK's four nations. We continue to develop replicable models to leverage and share our lessons learnt from all our Advisory engagements.

Building the Local Authority lending pipeline

We directly engaged with more than 80 local authorities across the UK to better understand their infrastructure challenges and financing needs. Senior representatives from the Bank spoke at more than 25 events to share with local authorities our developing Advisory services and market leading lending offering. The attractiveness of the support our Local Authority function offers to local authorities is reflected in the growing pipeline that we continue to build.

Announcement of new grant partnerships

Reflecting our role as a policy bank, we formed partnerships with the two government grant schemes where we believe an opportunity exists to increase our impact and support the schemes' underlying policy objectives:

- Green Heat Network Fund (Department for Energy Security and Net Zero); and
- Local Electric Vehicle Infrastructure fund (Department for Transport).

Under these arrangements grant applicants can access our debt finance to meet any remaining funding gap faced by the project.

Collaboration with the Local Low Carbon Accelerator

We collaborated with the Local Low Carbon Accelerator, a sub-group of the Prime Minister's Business Council, on a series of pilots with authorities delivering infrastructure for zero emission vehicles, housing retrofit and the transition to zero emission buses.

Case study: Working with Glasgow City Council

Rationale

Our Local Authority Advisory and Lending function is building expertise in areas where:

i) we have identified demand from local authorities;

ii) there is high potential for impact (facilitating both the reduction in carbon emissions and generating regional and local economic growth); and

iii) there is opportunity to build knowledge that can be shared across the sector.

Mass transit is one of these areas. Others include heat networks and building retrofit / decarbonisation.

Background

The Clyde Metro mass transit scheme, being led by Glasgow City Council, has been identified as a key project by Transport Scotland's Strategic Transport Review. Glasgow City Council wanted to develop their understanding of the potential funding and financing solutions that could be utilised to deliver the programme, as well as progress their thinking on possible governance options to take the project forward given the range of local, regional and national stakeholders involved in the project.

Our role

The Local Authority Advisory and Lending function, led by our Director for Transport, convened three workshops with the Council, Strathclyde Partnership for Transport, Transport Scotland, and local authority stakeholders.

The workshops focused on evaluating the applicability of various funding sources, investigating potential governance structures, and generating high-level forecasts of what the local contribution to the 30-year investment programme might look like.

Our impact

We produced a shortlist of potential funding options and made recommendations to develop the programme's governance and accountability framework. We also identified critical path workstreams that will help Clyde Metro project team investigate the key areas where costs could be saved, where risks would be transferred by the devolution of parts of the national rail network, and how these might impact on the funding and financing requirements.

Our financial results

Net operating income

The key components of our net operating income are set out in the Statement of Comprehensive Income which forms part of the Financial Statements (see page 97). In summary, they are:

- Net interest, fees and commission;
- Changes in the fair value of assets held at Fair Value through Profit and Loss ("FVTPL"); and
- Changes in ECLs.

Our net interest, fees and commission income of £10.9 million (FY 2021-22: £2.2 million) and the total fair value gains of £11.7 million (FY 2021-22: £123.0 million) are further detailed in *Note 2 Interest income* (see page 114) and *Note 8 Assets held at Fair Value through Profit and Loss* (see page 117).

The increases in ECLs of £8.2 million (FY 2021-22: an increase of £3.2 million) are further detailed in *Note 16.3 Credit Risk* (see pages 122 to 124).

Expenditure

Operating expenditure increased significantly for the year to 31 March 2023 in comparison with the prior year. This was reflective of the ongoing scaling up of operations; also of relevance is the fact that the prior year figures represent a much shorter period of operation. The outturn for operating expenditure in the financial year was £35.8 million (FY 2021-22: £12.2 million), within our agreed budget of £71.1 million (FY 2021-22: £18.0 million). The split of these costs was as follows:

- Staff costs of £26.9 million (FY 2021-22: £8.9 million) consisted primarily of planned costs relating to contractors and secondees; and
- £8.9 million (FY 2021-22: £3.4 million), relating to other expenditure including information technology and professional fees.

Staff recruitment was slower than anticipated in the first half of the financial year and this is reflected in the associated costs. However, once the permanent Executive team was in place in the summer of 2022, our recruitment plans were re-baselined and costs in the latter half of the year followed revised expectations more closely. Further detail is set out in *Note 3 Staff numbers and staff costs, Note 4 Other operating expenditure* and *Note 5 Taxation* on pages 114 to 116.

Statement of financial position

Investment activities undertaken during the financial year, together with their anticipated impacts, are set out above on pages 26 to 28.

Fund investments

DIIF

The Fund's purpose is to provide capital to support the growth of the ultrafast broadband industry, particularly alternative ultrafast broadband network developers in regional locations, by providing greater access to finance on a commercial basis across the capital spectrum. The carrying amount of the asset on our balance sheet at the end of the financial year was £162.5 million (31 March 2022: £149.8 million).

CIIF

The Fund supports the expansion of public electric vehicle charge points along key road networks and in residential areas and aims to crowd-in private capital in the sector, thereby encouraging increased adoption of electric vehicles. The carrying amount of the asset on our balance sheet at the end of the financial year was £39.9 million (31 March 2022: £20.2 million).

Other funds

During the financial year, as noted above in "Investments" (pages 26 and 27), the Bank invested in three further funds. The carrying amounts of these assets on our balance sheet at the end of the financial year were:

- NPUK ESG: £76.0 million;
- Infracapital: £30.3 million; and
- OSIF: £Nil.

Building a lasting institution

Building a lasting institution

Our people

During the financial year, the Bank continued its drive for the recruitment of its permanent workforce, bringing in talented and experienced colleagues from both private and public sectors. The recruitment for roles across the Bank included:

- direct recruitment;
- external agency-led recruitment; and
- agency and public sector resourcing and secondments – used for secondee and contract resourcing.

Since approval of the Reward Framework by the Board and HM Treasury, the main focus of resourcing has been on recruiting permanent employees into the Bank, using seconded employees (from the Civil Service and from other banks) where appropriate and gradually reducing the use of contract staff over time, whilst ensuring that relevant expertise is retained to allow transition within functions. The wide ranging skills and expertise that we have attracted come from diverse but relevant backgrounds including banking, infrastructure, climate change, impact, policy and strategy.

Our internal workforce plan maps out the target transition for each role by quarter and the Human Resources team has worked closely with relevant functional leads and Finance to manage the transition during the year, reporting on progress direct to the Executive Committee, the Board and the Shareholder (through Quarterly Shareholder Meetings).

Our workforce continued to be supported by secondees from Civil Service departments and contractors but, by the end of the financial year the number of permanent employees in role had increased to 73 (31 March 2022: 9); this represented 37% of the overall resource (31 March 2022: 7%).

Board and Executive Committee

Four Non-Executive Directors were appointed in June 2022 and six permanent members of our Executive team joined at the end of the summer 2022.

The hiring of our permanent Executive team enabled us to conclude our template for organisation design, finalising the target structure, roles and roll-out plan for the next phases of recruitment.

Senior management

The structure chart on page 13 sets out the senior management roles and hierarchy as at the date of signing this Annual Report and Accounts and highlights how these roles have been recruited over time. In the prior financial year, a significant majority of these roles was fulfilled by government secondees and contractors.

Resourcing up

Our establishment stood at 194 FTE – a headcount of 198 – as at 31 March 2023 (2022: 127 FTE, a headcount of 134). Analysis of our FTE as at 31 March for the current and prior year, by category, is provided in the "Workforce" section of our Staff report on page 82.

Our headcount, split by department as at 31 March 2023 (with comparatives as at 31 March 2022), is detailed in the following table. This highlights the breadth of skills that we are building across our workforce and helps clarify where we focussed our resourcing efforts during the financial year.

Department	2023	2022
Banking and Investments	36	19
Local Authority	6	6
Portfolio Management	9	5
Front Office total	**51**	**30**
Risk & Compliance	11	7
Legal	3	2
Internal Audit Services	3	1
Strategy, Policy & Communications	18	18
Impact	17	7
Middle Office total	**52**	**35**
CEO & Board Office[1]	16	17
Programme Office	7	5
Finance (including Treasury)	20	18
Procurement	14	8
Human Resources	22	7
Information technology	16	14
Back Office total	**95**	**69**
Total headcount	**198**	**134**

Note 1: CEO & Board Office includes the Board Chair, CEO, COO, Senior Advisor, governance roles and Executive Assistants

We have set out information on workforce location in our Staff report on page 82.

Employment policies and procedures

We have developed and embedded a suite of employment policies to support our colleagues in the workplace. These are easily accessible to all employees on our intranet and reflect current employment legalisation as well as the Bank's identity, culture and values.

Health, safety and wellbeing

We understand the importance of health and safety in the workplace and ensure compliance with health and safety legislation and regulations through:

- Health and safety systems and processes;
- Mandatory health and safety training for all colleagues;
- Competent health and safety advice obtained where necessary;
- Regular and appropriate risk assessments and physical inspections; and
- Engaging colleagues in decisions that impact their health and safety.

We have established various measures to promote health and wellbeing in the workplace. In addition to remote working arrangements, which align to our ambition for the Bank to be a hybrid organisation and the development of our Employee Assistance Programme, we have introduced surveys to help us better identify, understand and address any wellbeing issues experienced by our colleagues.

Disability and support

The Bank has had the opportunity to be diverse by design and establish itself as a disability confident employer. To achieve this ambition the Bank is committed to supporting employees with disabilities through:

- Adapting our workplace practices to meet the needs of colleagues with disabilities and, where appropriate, seeking professional medical advice on reasonable adjustments through our occupational health provider;
- Ensuring our Leeds and London offices comply with disability standards and applicable legislation to engender a positive working environment for all;
- Communicating and embedding the Bank's commitment to help remove workplace barriers and enable all colleagues to progress their careers and reach their full potential; and
- Introducing diversity and inclusion training as a mandatory part of our learning and development strategy.

Gender pay gap

The Bank recognises wider public sector standards and is working towards those, while being committed to paying men and women equally for doing equivalent jobs throughout the organisation. The Bank's permanent employee headcount remains significantly below the threshold for Gender Pay Gap reporting.

Gender and ethnicity

The Bank values diversity and inclusion for many reasons. We aspire to reflect the society we serve, and we want the best people to work for us; we actively encourage diverse ideas, open debate and perspectives that challenge prevailing wisdom and engender innovative behaviour.

As a new organisation, we are committed to ensuring gender and ethnicity balance within our workforce and to maintaining this as we build an inclusive organisation that is diverse by design.

Our gender and ethnicity analyses are shown in our “Remuneration and Staff Report” on page 83.

Pay and reward

As noted above on page 33, the Bank’s Reward Framework was finalised and approved during the year to 31 March 2023. Details of this framework are set out in the “Remuneration and Staff Report” on pages 71 and 72.

Governance

During the year, functions across the Bank have continued to develop, refine and embed governance frameworks and structures relevant and proportionate to the size and nature of the organisation.

Board Committees

Our Non-Executive Director appointments in June 2022 enabled us to take significant steps forward in developing our governance structures, through the establishment of Board Committees (see pages 64 to 67 for further information).

Corporate Governance Code

The Bank received an exemption from compliance with the provisions of the UK Corporate Governance Code ("the Code") for the period from inception to the end of its first financial year on 31 March 2022. This was to afford the organisation time to build and embed appropriate governance arrangements, in particular those reliant on the appointment of its permanent Board. The Directors committed to ensuring governance processes and frameworks were brought into line with the Code during the year to 31 March 2023. Details of the Bank's compliance are set out in the Directors' report on pages 55, 59 and 60.

Environmental, Social, Resilience and Governance

Environmental, Social, Resilience and Governance ("ESRG") considerations are essential elements of our investment decision processes and help ensure we are a socially and environmentally responsible investor. During the 2022-2023 financial year we developed our ESRG Framework, which is both specific to the Bank and proportionate to our needs. This was published in May 2023[5].

Materiality is a key concept for the framework and we apply a sector-specific lens on the associated risks and opportunities. We have defined five principles that guide our internal approach and help us navigate the complexity of ESRG in investment decisions, as summarised in the following table:

Principle	
Principle 1	**Strategy alignment**
Our strategy is aligned to our objectives of tackling climate change and building regional and local economic growth. We expect the partners we work with to similarly engage with ESRG risks and opportunities and integrate them into their business strategy and decision making.	
Principle 2	**Leadership & Governance**
We incorporate ESRG in our governance, and expect the same competent, skilled and independent leadership and governance from our partners.	
Principle 3	**Risk & Opportunities**
We will identify and manage material ESRG risks and opportunities for our triple bottom line. We expect our partners to recognise the material ESRG risks and opportunities they face and to identify and manage them.	
Principle 4	**Transparency**
We will be transparent about material ESRG risks and opportunities in our investments and portfolio, helping to build greater understanding of how these risks apply to infrastructure in the UK. We will only work with partners willing to disclose information about their ESRG issues.	
Principle 5	**UK context specific**
We will support UK Government's objectives on ESRG issues, using the planning, regulatory and legal systems to help us understand material ESRG issues. We will work with our partners and support investments where appropriate to: • manage ESRG risks in their supply chains; • integrate benefits to nature; • engage local communities in their design and delivery; • commit to improving diversity and inclusion in their governance; and • understand their resilience to climate related risks.	

[5] www.ukib.org.uk/impact-framework-and-esrg-framework

Investments made by the Bank before the publication of the ESRG Framework have undergone a detailed screening assessment for key performance metrics and for potential risks. During the financial year to 31 March 2024, we are implementing the framework and assessing all investments in accordance with the new approach.

We recognise that financial markets are rapidly developing novel approaches to addressing ESRG issues. We are committed to keep developing our approach in accordance with the UK Infrastructure Bank Framework Document.

Our process

ESRG is a vital risk management approach for identifying and mitigating against a range of potential issues (and capturing opportunities) to protect and enhance the long-term value of investments. As such, ESRG management enhances the Bank's Impact assessment and helps to protect our investments and ensure impact can be realised.

ESRG considerations are integrated throughout the investment decision-making process in the Bank, from origination of projects to the exit from investments.

ESRG reporting is a requirement for all our investments and, in the past year, we have engaged investment counterparties to commit to implement better internal standards that meet our requirements. Improving the ESRG credentials and processes for managing risks and opportunities is one of the ways in which we see the potential to realise impact.

Taskforce for Climate-related Financial Disclosure ("TCFD")

Climate risks are financial risks for the Bank and we are implementing a thorough approach to manage them, in line with the requirements set out by our Shareholder, HM Treasury. Besides transparency and reporting, the implementation of the TCFD requirements within the Bank also entails developing processes for climate risk integration in internal and investment-related activities.

The Bank has committed to making disclosures in line with the recommendations of the TCFD, and our work in this area will evolve and include more detail and evidence as the Bank scales up. Our key areas of focus in developing our approach are as follows:

Governance: The Bank's Board and Executive committee oversee our objectives around climate mitigation and adaption. This incorporates the transition and physical risks of climate change. Our governance in relation to TCFD is set out in the table below:

Governance level	TCFD-related responsibility
Board	The Board will receive regular updates (quarterly or semi-annually) on climate risks and opportunities and overall progress towards net zero contribution over time. In line with recommendations on TCFD, the Board appointed Nigel Topping as the designated Board member responsible for review of concerns in relation to climate change risks and opportunities.
Executive Committee	The Executive Committee will receive regular updates on any climate-related concerns for individual deals and portfolio-wide.
Investment Committee	The Investment Committee receives overview of climate-related risks, including through ESRG reviews of relevant concerns raised
Risk Committee	Climate-related metrics are part of the Risk Register review by the Risk Committee. These are undertaken on a regular basis and the Bank has defined a risk appetite for these risks (see "Risk management and internal controls" on pages 39 to 45)

In developing our governance structure, we performed a gap analysis between TCFD recommendations and our positioning and progress against these. We have identified clear development activities that will be part of the focus for implementation over the next few years.

Strategy: We are focused on both mitigation and adaptation, including the resilience of our investments as part of the climate change objective of the Bank. As such, the Bank inherently adopts a strategic approach to climate related financial risk, not just for its own operations but in supporting the UK's financial system to reach net zero.

Risk management: We are in the process of introducing climate related risk assessments for all potential deal transactions that the Bank enters into. For the deals undertaken to date, a screening process has been used which assessed qualitatively the potential risks associated with each investment. We are investing in the climate transition and looking to capitalise on the opportunities this presents in each of our priority sectors. Green technology expansion throughout the UK provides an opportunity to generate social impact and economic growth, besides climate mitigation.

As we develop our approaches to TCFD, we will look to identify in what way climate scenarios would be applicable in informing our growth, given the lack of legacy assets in our portfolio.

Metrics and targets: One of the core impact metrics of the Bank is "relative carbon emissions". Therefore, for every deal, we collect data on emissions and estimate to the best of our ability the mitigated carbon impact. Over the coming year, we are engaging external advice and support to help develop our approach to GHG calculations.

We will track established carbon footprint metrics for the portfolio. In the next year, the Bank will establish the capability to consistently assess against a suite of these metrics with a particular focus on its financed emissions. However, it is worth noting that, for a developing organisation like ours, we expect emissions metrics to show an increase in the short and medium term.

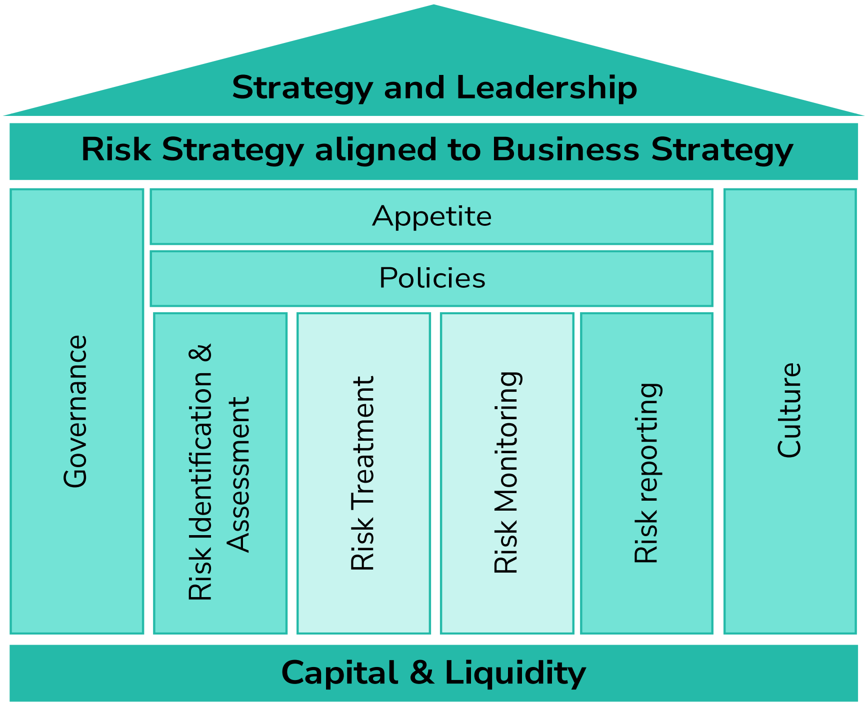
In order to implement and track the climate risks of our portfolio in a meaningful way, we will require all projects we invest in to identify their climate risks and report in alignment with TCFD throughout the investment.

Risk management and internal controls

The Bank is a policy bank; it shares some similar risks to a corporate bank but is also exposed to risks related to the complexity of its strategic objectives. Our Risk Management Framework, which takes a top-down approach to risk identification and management within the Risk Governance structure, uses a Three Lines of Defence model.

Risk Management Framework ("RMF")

Sound risk management is important for achieving the Bank's specific strategic objectives in a manner that ensures the long-term safety and soundness of the Bank. This comes together through the RMF represented by the following diagram:



A summary of our RMF is published on our website[6]. It is drafted in accordance with the 'Management of risk – Principles and Concepts' (the "Orange Book") and continues to evolve in line with the growing organisation. The risk management strategy is to embed an effective RMF, risk culture and processes with transparent and focussed risk monitoring and reporting which aligns to the business strategy

The risk appetite is how much risk – defined by individual principal risk category and sub-category – that the Board is willing to take or be exposed to, in order to achieve the Bank's objectives.

The governance arrangements and policies continue to be refined to provide guiding principles, standards and clear ownership to support the risk management activities of identification and assessment, treatment, monitoring and reporting.

Within the overarching RMF, additional frameworks operate in the areas of financial risk, compliance and financial crime risk, to ensure that these areas of risk are appropriately managed.

[6] www.ukib.org.uk/publications

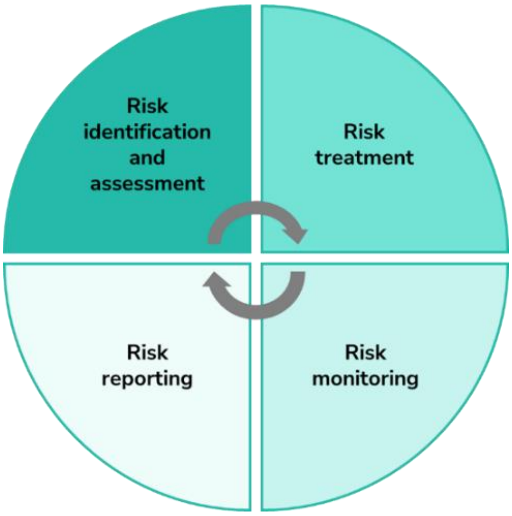
The **Financial risk framework** is designed to assess, measure and manage credit default risk, interest rate risk, capital and liquidity adequacy.

The **Compliance framework** is designed in accordance with good practice governance and conduct and is aligned to the relevant financial institution's requirements, including the Financial Conduct Authority ("FCA") principles of the Senior Managers and Certification Regime ("SM&CR") insofar as is appropriate and proportionate to our business, the relevant elements of the FCA Principles for Business, and the General Data Protection Regulation.

The **Financial crime framework** comprises good practice policies and practices to safeguard against fraud, theft, corruption, bribery, market abuse and money laundering in line with guidance issued by the Counter Fraud Function, in compliance with Managing Public Money, applicable laws, rules and regulations.

Risk management process

The risk management process operates both from a top-down perspective, looking at the most significant risks to the Bank as a whole, and from a bottom-up perspective.



The RMF involves the identification of risks and assessment for impact and likelihood with and without controls in place. Where a risk is outside the Board's risk appetite, then this is escalated for further consideration and potential additional mitigation or treatments are put in place.

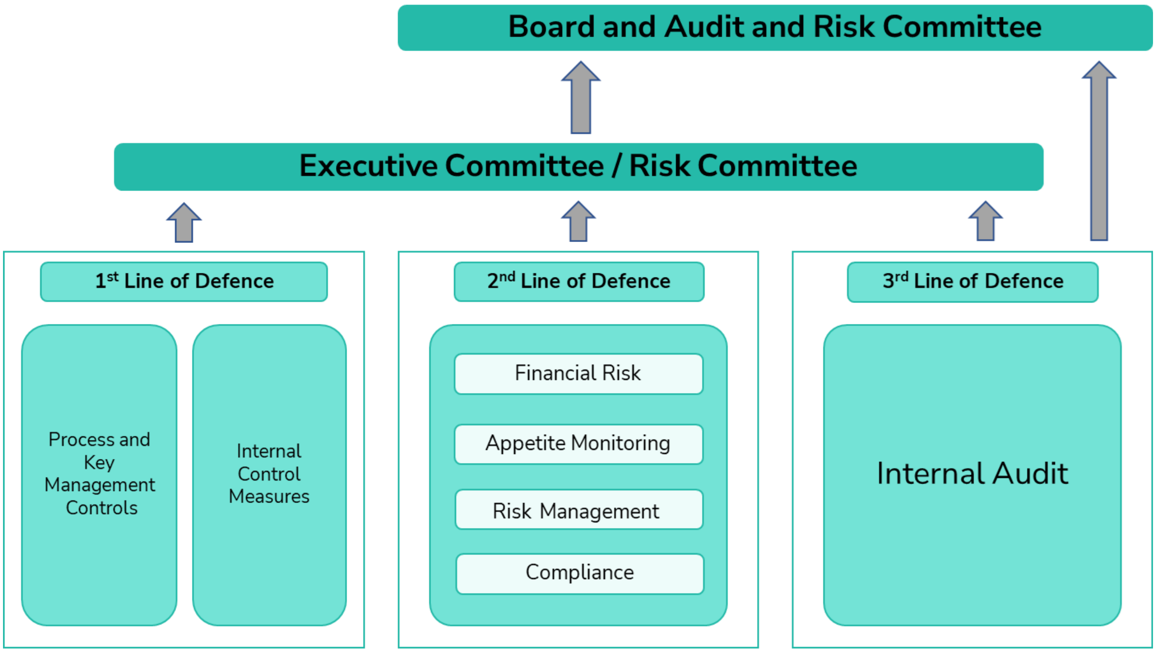
Top-down and bottom-up risks are monitored regularly for any changes to the assessment, as a result of changes to the control environment, or for any new or emerging risks that might need to be added to the register.

The final part of the process is to regularly report the risk profile through the relevant governance committees for review.

Structures and responsibilities

The Bank operates a Three Lines of Defence approach to risk management. Everyone in the business has some responsibility for risk management. The “Three Lines of Defence model” provides a simple approach to allocate responsibilities:

The Three Lines of Defence model



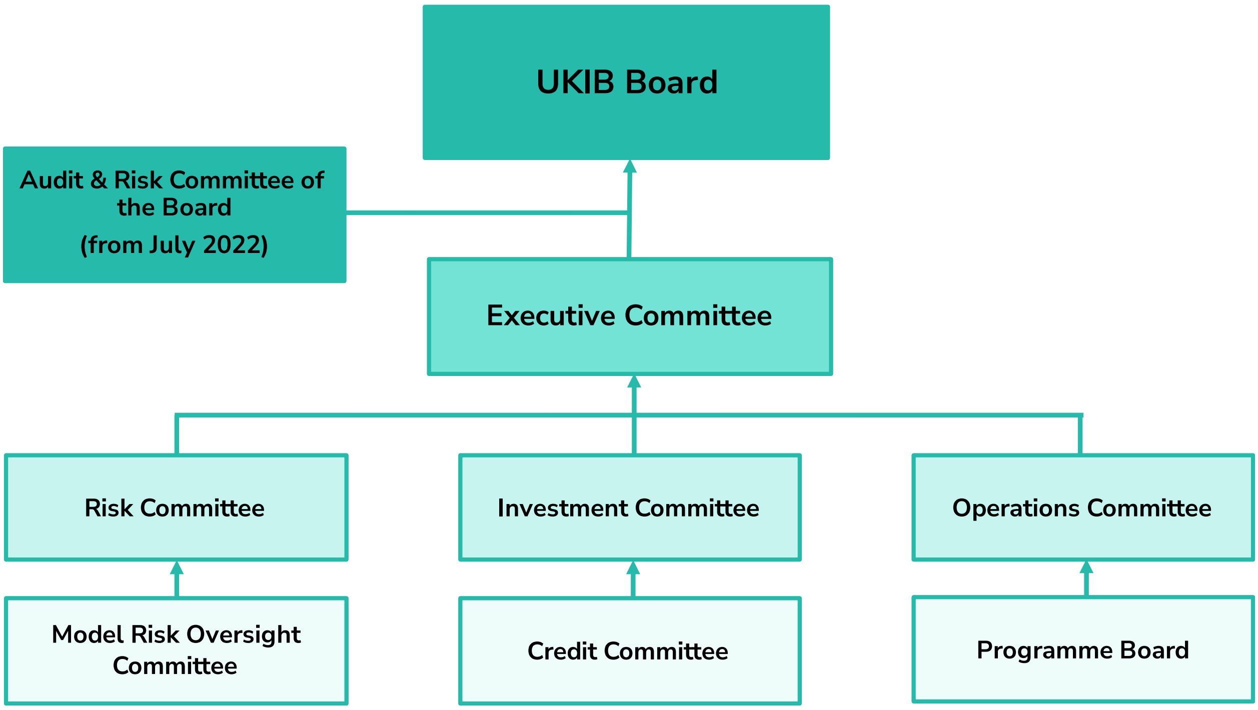
The first line of defence, ‘management’, owns the risks. Management has responsibility for the identification, on-going assessment and management of risks, and has direct accountability for implementing and maintaining appropriate controls, measures and corrective actions.

The second line of defence consists of functions that oversee or specialise in risk. They are responsible for defining the risk management frameworks, policies and procedures and support first line management in ensuring risks are appropriately managed, facilitating the implementation, monitoring and reporting of risk information throughout the organisation.

The role of the third line of defence is fulfilled through a risk based approach to provide an objective assessment of the adequacy of the system of internal control that is in place to manage the risks to the achievement of the Bank’s objectives. The third line of defence is performed by the independent Internal Audit Services function.

Committee structure for risk management

The Committee structure relevant to risk governance and oversight is outlined as follows:



- The Board is responsible for the effective management of risk, approving the risk strategy and the setting of risk appetite.
- The Audit and Risk Committee, established in July 2022, is principally responsible for making recommendations to the Board on risk appetite and risk strategy, reviewing performance against risk appetite and reviewing all risk exposures. It also approves risk management policies, considers the level of risk the Bank is taking to achieve its impact and evaluates the Bank's governance, risk and control framework.
- In relation to risk management, the Executive Committee delegates authority to the Risk Committee. The Executive Committee will review any escalated items and will endorse submissions to the Audit and Risk Committee as appropriate.
- The Risk Committee is responsible for reviewing the risk management strategy and frameworks, risk profile and risk appetite on behalf of the Executive Committee and escalating issues to that body where necessary.
- The Model Risk Oversight Committee oversees the quality assurance of the integrity and effectiveness of critical models and reports to the Risk Committee.
- The Credit Committee provides oversight and monitoring of investments through annual and ad hoc reviews performed by the Portfolio Management function. It reports to the Investment Committee.
- The Operations Committee is responsible for the operational matters, including 1st Line operational risks, pertaining to the running of the Bank. The Operations Committee will escalate significant (very high) operational risks to the Risk Committee as appropriate.
- The Operations Committee has delegated to the Programme Board the responsibility for the management and oversight of programme and project related risk and delivery activity pertaining to the building and running of the Bank. The Programme Board will make recommendations and escalate exceptions and significant (high and very high) programme risks to the Operations Committee and Risk Committee as appropriate.

Risk appetite

The Board has set the risk appetite for the Bank, articulating the level of residual risk that the Bank is willing to take or tolerate in achieving its strategic objectives.

The overarching risk appetite is stated as follows: *"We will take the risks necessary to achieve our policy ambitions, the required financial return and impact outcomes as defined by the Shareholder. We will do this within the constraints of being a publicly owned Arm's Length Body."*

The above statement is further clarified by risk appetite statements for each principal and sub-category of risk that the Bank faces. These are shown below:

Risk Category & Definition	Sub-categories	Appetite Statements
Strategic & Business Strategic & Business risk relates to threats that may inhibit the delivery of the Bank's business strategy. Strategic & Business risk can also arise from setting an inappropriate strategy, unclear plans, priorities or accountabilities.	**Policy**	We have no appetite for deals that do not have an intended positive impact on at least one of our policy objectives.
	Financial Performance	Whilst our appetite for individual transactions is high, and as such could give rise to losses, at a portfolio level we have no appetite for exceeding our economic capital target.
	Concentration	The Bank is exposed to multiple layers of concentration risk by virtue of our mandate. We aim to invest across our target sectors within five years, recognising that these sectors will evolve at different rates.
	Innovation	In order to fulfil the mandate we have been given, we have to be brave and take risks acknowledging the need to learn, adapt and innovate as we grow.
Reputational The risk of damage to the Bank's reputation from adverse events, poor execution, or repeated failures. This includes stakeholder engagement risk.	**Stakeholder Engagement**	We will be open in our discussions and tailor our engagement with stakeholders and partners to suit each market, so as to build a reputation for excellence through the deals we enter into.
Financial Financial risk comprises market risk (including interest rate risk), credit risk, equity investment risk, liquidity, counterparty and climate-related financial risks. These component risks may result in poor returns from investments, failure to manage assets / liabilities or to obtain value for money from the resources deployed, thus constraining the Bank's balance sheet. Failure to manage financial risks within approved appetite could trigger breach of other key risks including Strategic & Business and Reputational.	**Credit / Counterparty**	The Bank is set up to address market failure and to accelerate new markets in infrastructure finance. We are willing to take more risk than the market for deals that will ensure we meet our objectives.
	Investments	Given our mandate, our appetite for risk arising from our investments is high. However, we will assess and actively manage each exposure.
	Market and Interest Rate	We will seek to match the interest rate risk profile of the Bank's assets with the liabilities available to it from HM Treasury.
	Liquidity	We will ensure that the funding requirements for assets, calls on guarantees and other obligations are accommodated at all times.
	Climate, Sustainability and Impact	We will stress test potential investment income streams, costs, and overall returns.

Risk appetite (continued)

Risk category & definition	Sub-categories	Appetite statements
Operational – Operations / Processes / Systems Operational risk is the risk of loss (or gain) resulting from inadequate or failed internal processes, people and systems or from external events which impact the operations of the Bank.	**Technology**	We ensure that availability and capacity failures are addressed in a timely fashion, minimising disruption to the business.
	Cyber & Security	We maintain appropriate protections, controls, and colleague awareness to minimise cyber risk.
	Projects / Programmes	Our projects and programmes are aligned to our strategic priorities, and we always seek to successfully deliver the benefits within set deadlines.
	Procurement	We will always comply with the Public Contracts Regulations 2015. We will ensure that sound procurement and commercial management arrangements are in place.
	Business process / Outsourcing	We will seek to ensure that our business processes and those of our outsource partners are effective.
	External Events & Third Parties	We act to ensure that we recover from adverse external events without significant disruption to our operations including maintaining functional and compliant workspaces for our colleagues.
Operational – People The risk of failure to attract and retain suitable and sufficient resource to achieve the Bank's objectives and to build a positive culture.	**People Management**	We are building a new bank at speed in a niche market. We will seek the core talent we require in specialist and non-specialist areas. We will ensure that diversity and inclusion are designed into the build of the Bank.
	Culture	We will seek to promote a culture that enables proportionate risk taking aligned to our policy objectives and ensures transparency with a clear, consistent, ethical tone at the top which filters through to all colleagues.
	Conduct	We have no appetite for wilful or known breaches of applicable rules, regulations, codes of conduct, and government guidelines.
Operational – Legal & Regulatory The risk of breaching laws and regulations, breaching contracts, and the potential for legal disputes. This category includes the risk of the Bank's services being used for money laundering or terrorist financing, and the risk of fraud against the Bank.	**Regulatory & Compliance**	We comply with all relevant regulation and anticipate future change.
	Governance	We will comply with standards of good governance in accordance with our foundation documents.
	Legal	We have no appetite for breaking the law, however we accept that contractual and dispute risks may arise in the normal course of the business of the Bank, and we will have sufficient, capable resource to manage these effectively.
	Financial Crime	We are committed to minimising, detecting, and preventing attempts to use the Bank's services for money laundering, terrorist financing, bribery & corruption or fraud.

Risks, challenges and mitigation

The principal risk categories are listed in the following table, together with an overview of the challenges the risks pose to our activities and how we mitigate them.

Risk category	Challenges these risks pose	The Bank's mitigations
Strategic & Business risk	The Bank has objectives in the form of financing and promoting infrastructure projects to help achieve net zero emissions by 2050 and to support regional and local economic development. Delivery on these objectives may fall short of expectation if strategic & business risks are not managed appropriately.	• Clearly defined objectives monitored on an ongoing basis. • Establishment of risk management processes and governance around strategic & business risks. • Regular review of risks and oversight. • Monitoring of adherence to risk appetite. • Robust governance structures and processes ensure rigorous oversight of the management of risk and of operational and financial performance.
Reputational risk	The actions or behaviour of the Bank or its colleagues might lead to an adverse impact on the standing of the Bank with the public, the market or with its Shareholder.	• Process and decisioning controls in place, regularly reviewed. • Reputational risk appetite adherence monitored. • Guidance and awareness for all colleagues.
Financial risk	A borrower may default on a loan, an investment may deliver lower than expected returns, or a guarantee may be invoked. Movements in interest rates may adversely affect banking book positions. Climate-related financial risks may not be identified or may be under-estimated.	• Due diligence processes and credit risk assessments in place for all loans, investments and guarantees, with on-going monitoring. • Interest rate risk assessed and subject to monitoring against risk appetite measures. • Scenario and stress testing performed to better understand vulnerabilities in the business model including an assessment of the Bank's capital and liquidity adequacy and measurement of economic capital usage. • Consulting with external experts on climate-related financial risks.
People risk	The Bank might have insufficient people or lack the requisite skill sets to operate effectively; or its culture might not sufficiently support the Bank's mission.	• Management of the recruitment process and Reward Framework; construction of a brave and diverse culture. • Succession planning to cover key person dependencies.
Operational risk	Information may be compromised or not optimised, change projects may not be successfully delivered, business processes may be ineffective or inefficient, and significant disruption might be caused by external events.	• Risk identification and assessment of mitigating factors covering sub-categories of operational risk are performed by functional areas across the business. • Monitoring of adherence to risk appetite thresholds.
Legal & Regulatory risk	Laws and regulations may not be complied with, and the Bank may be subject to disputes over its role or the use of subsidy. Insufficient oversight of processes, actions and decisions may lead to heightened exposure to risk and failure to detect issues with operational and financial performance. Financial crime may be facilitated using the Bank as a conduit.	• Tracking and monitoring new laws and regulations; reviewing contracts and managing disputes; in-house legal expertise. • Compliance training and oversight. • Systems and controls, including training and education, around risks relating to financial crime.

Establishment and systems

Workspace

During the year we took on additional office space at our Leeds Head Office to accommodate our growing workforce. We expect to have around 280 staff when we are operating in line with our planned operating model, with the majority of these working from our Leeds office.

We also share part of the new office space in Leeds with the National Infrastructure Commission.

Information technology

During its first year of operation, the Bank was supported by HM Treasury through the provision of desktop services and back office capability for Finance, Human Resources and Payroll systems, whilst we worked to develop our internal information technology services.

In July 2022 we finalised the implementation of our own desktop services. Also during the financial year to 31 March 2023, we began work with an implementation partner to bring in software for our back office (predominantly Finance and Human Resources), with a go-live date in the summer of 2023.

In addition, we implemented a tactical solution for loan management and reviewed options to bring in a more strategic solution that will cover banking origination and servicing activities.

We continue to look to minimise technology and support costs by outsourcing to managed service providers and utilising Cloud-hosted technology that provides good value for money. As such, our aim is to retain a small centre of excellence to manage the relationship between these partners and our internal operations.

Environmental impact of our activities

The Bank is committed to delivering on its strategic objectives by promoting sustainable and responsible practices across all our activities. We are focused on ensuring that practices, culture, and behaviours are embedded in a way which drives sustainability and reduces the Bank's environmental impact. This is reflected in both our financing activities – the impacts of which are set out on pages 26 to 28 – and our internal operations, such as offices and business travel, as set out below.

As we scale up our activities and develop our workforce over the coming year towards our target operating model, our expectation is that the levels of emission, waste and paper / water usage will naturally continue to rise. Given this rapid and continued growth of the Bank, analysing the differences between the current and prior periods is considered of limited value at this time. We are working to establish baselines for our emissions, waste and paper / water usage so that, when we near 'steady state' in our operational footprint over the coming year, we will be able to set targets and manage to these accordingly.

Greenhouse Gas ("GHG") emissions – internal

Internal GHG emissions are calculated and reported for Scope 1 (fuels combusted on site, e.g. gas boiler), Scope 2 (energy consumed on site, e.g. electricity), and Scope 3 (indirect emissions, e.g. employee travel).

GHG emissions for Scope 1 include those from the Variant Refrigerant Flow ("VRF") system at the Leeds premises, which makes up a significant proportion of Scope 1 emissions. Scope 2 emissions represent electricity use at the Bank's premises and has been calculated using relevant emissions factors.

The buildings emissions data (i.e. Scope 1 and Scope 2) included in this report for the financial year to 31 March 2023 are those associated with the Bank's headquarters in Leeds and its satellite office in London; the corresponding data for the 2021-22 financial year only included the Leeds office, as the London office was occupied intermittently and only during the final four months of that reporting period. Also of relevance to the following data is that the Bank took on additional space (more than doubling the previous footprint) in its Leeds office during December 2022; and the continued scaling up of operations.

The energy consumption data and associated GHG emissions data are provided by the service provider and landlord at each of the occupied premises. Both offices are shared with other organisations, with the Bank utilising just under 25% of the overall footprint of the Leeds premises; and just over 3% of the London premises.

Scope 3 emissions, including employee travel (and overnight hotel stays), are largely driven by staff commuting to and from the headquarters in Leeds. Many of these staff are civil service secondees, the volume of which is now falling as the Bank continues its recruitment into permanent roles for a significant majority of Leeds-based staff. Scope 3 emissions in the table below have been calculated by applying relevant emissions factors to employee travel between London and Leeds and overnight hotel stays; they also include emissions arising from waste. Scope 3 emissions arising from air travel (domestic, short-haul and long-haul) are highlighted separately.

Internal Energy Use & Emissions	2022-23			2021-22		
	GHG emissions tCO_2e	Gas consumption kWh	Gross Expenditure £000	GHG emissions tCO_2e	Gas consumption kWh	Gross Expenditure £000
Scope 1	216.0	5,915	1.1	127.6	1,345	0.5
Scope 2	33.2	171,728	31.6	13.2	62,326	8.4
Scope 3 – train travel / hotels	33.4	N/A	271.1	15.0	N/A	113.0
Scope 3 – flights (domestic)	0.9	N/A	1.2	0.0	N/A	0.0
Scope 3 – flights (short-haul)	0.5	N/A	0.8	0.0	N/A	0.0
Scope 3 – flights (long-haul)	2.2	N/A	0.7	0.0	N/A	0.0
Per average monthly FTE in period	**1.7**	**1,083**	**1.9**	**2.8**	**1,136**	**2.2**

Notes to the above table:

1. Scope 1 emissions split between those from gas for heating water: 1.1 tCO_2e (FY 2021-22: 0.2tCO_2e); and those from the VRF system 214.9 tCO_2e (FY 2021-22: 127.3tCO_2e).
2. Overheads are distributed over a relatively small number of employees and we would expect the 'Average per FTE' results to continue to reduce in future as the Bank expands.
3. Emissions factors applied are as per Gov.UK "Greenhouse gas reporting: conversion factors 2022".
4. Distances of flights: domestic 4,780km; short-haul 3,450km; and long-haul 11,446km.

Minimising waste and promoting resource efficiency

Waste arisings are provided by the disposal companies contracted with the landlord at the respective premises. Waste disposal data is provided at a building level only, and therefore the tonnages have been adjusted based on the proportion of each of the premises occupied by the Bank. The following tables set out the waste arisings for each of the current and prior financial years. There was no data available for our London office in the prior year and the reduction in the percentage of waste recycled in the financial year to 31 March 2023 is influenced by the inclusion of data for the London office. As the volume and quality of data improves in this area, we are considering how to better react and influence these volumes and relative percentages.

2022-2023	tonnes	Percentage	Gross Expenditure (£)
Total waste arisings	**6.78**	**100%**	**1,777**
Total waste recycled	2.74	40%	754
Total ICT waste recycled, reused and recovered (externally)	-	-	-
Total waste composted / food waste from 2023	0.45	7%	125
Total waste incinerated with energy recovery	3.59	53%	897
Total waste incinerated without energy recovery / waste to landfill	-	-	-

2021-2022	tonnes	Percentage	Gross Expenditure (£)
Total waste arisings	**0.62**	**100%**	**212**
Total waste recycled	0.54	87%	185
Total ICT waste recycled, reused and recovered (externally)	-	-	-
Total waste composted / food waste	-	-	-
Total waste incinerated with energy recovery	0.08	13%	27
Total waste incinerated without energy recovery / waste to landfill	-	-	-

Water and paper usage

Our total estimated water and paper usage, during the periods to 31 March, is set out in the tables below. These reflect the continued growth of our workforce and, as such, it is considered too early to attempt to create a baseline for analysis.

Water	Cubic metres	Gross Expenditure £
Water usage (FY 2022-23)	495	2,011
Water usage (FY 2021-22)	193	685

Paper	No. of A4 reams equivalent	% reduction on baseline
Paper usage (FY 2022-23)	80	N/A
Paper usage (FY 2021-22)	18	N/A

Consumer single use plastics

The Bank only provides reusable cutlery and crockery in all office kitchens. We work with catering suppliers to reduce single use plastics for meeting and event catering. We have also worked with stationery suppliers to reduce packaging and the number of orders placed. We always consider the cradle-to-cradle life cycle of furniture and fittings purchased.

IT recycling

Where items cannot be reused due to data security regulations, we work with third party IT providers to arrange waste electrical and electronic equipment ("WEEE") compliant secure recycling or disposal of damaged or end of life IT equipment. Components are separated into waste streams such as plastic, copper, and other metals, and hard drives are shredded to avoid landfill.

Sustainable procurement

The Bank's procurement focus is on achieving value for money on a whole-life basis and delivering positive outcomes not only for the Bank itself but also for the economy, the environment and society.

The Bank complies with the Public Contracts Regulations 2015 and all other relevant domestic legislation when conducting procurement activity. In addition to the legislative framework, the Bank also meets the requirements of wider government policy, standards and codes such as the Government Buying Standards, the Greening Government Commitments, Functional Standards and Procurement Policy Notes including the Social Value Model and Tackling Modern Slavery. Reporting and monitoring have been developed for key sustainable and social value areas.

Continued development

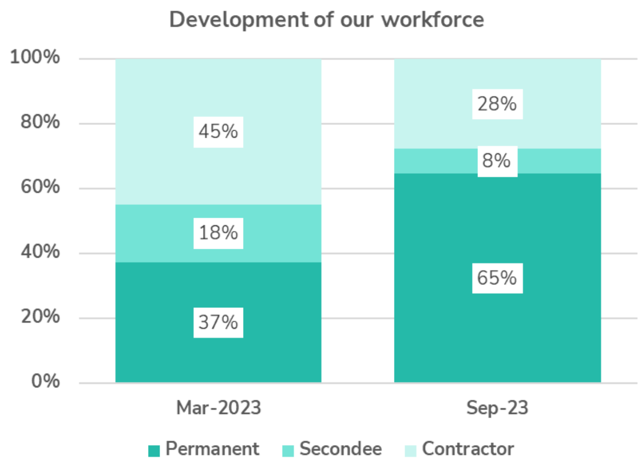
Continued development

The sections below provide a summary of our activities since 31 March 2023.

Our people

We have engaged with colleagues through surveys and continue to work to assess and address key themes arising from the feedback received.

We have also continued our recruitment into permanent positions across the Bank. By the end of September 2023, we had recruited more than 80 further colleagues into permanent roles, with the split of our resource across permanent, secondee and contractor positions developing as shown below:



Investments

Since the end of the 2022-23 financial year, the Bank has signed a further 9 deals, spanning a range of our priority sectors including natural capital, clean energy, transport and digital. The Bank's agreed commitment in these deals totals £464 million. Further detail is provided in *Note 21 Events after the reporting period*, on page 128.

Establishment and systems

Scotland, Wales and Northern Ireland

The Bank will be establishing offices in each nation's capital city and has begun recruitment for a Director & Head of Office in each of the nations to build its UK-wide presence and further strengthen its ties with the devolved administrations and relevant institutions across the UK. The Bank remains headquartered in Leeds and will have offices in Belfast, Cardiff, Edinburgh, and London.

Systems and processes

Since year-end, we have completed the migration off all Treasury systems and processes and are consequently operationally independent. Key milestones in this process include the launch of the first phase of Workday as a back-office HR and Finance system in August 2023 with minimal disruption, on time and on budget, and the deployment of Atamis for Procurement.

We operate a cloud-first approach based on a Microsoft architecture which allows flexibility and scalability. This framework forms the basis of our work to deploy a strategic banking system to replace our current tactical loan management system which is currently in place to support deals.

Developing our strategy

The UK Infrastructure Bank Act 2023 came into force on 23 May 2023, positioning the Bank's strategic objectives in law.

We published a strategy update in September 2023 for our private sector investments[7]. This update sets out more detail about our approach to amplifying government policy and solving infrastructure financing problems. It also identifies seven areas in which we see opportunities to tackle infrastructure financing problems, our view

[7] www.ukib.org.uk/sites/default/files/2023-09/UKIB-Strategy-Update-Private-Sector-Investments.pdf

of these markets and the products we can offer to unlock them over the next 12-24 months.

Working with local authorities

In July 2023 we announced further senior appointments in our Local Authority function, including the arrival of our permanent Local Authority Managing Director.

The Local Authority function has continued to engage widely across the sector, completing Advisory mandates in all four of the UK's nations.

Throughout the spring and summer 2023 we convened more than 40 local authorities and their stakeholders from across the public and private sectors to share and discuss learnings from our work with the Local Low Carbon Accelerator.

In September 2023 we published a Local Authority strategy update[8] to provide the market with new detail on our Advisory and Lending offerings, as well as our areas of focus where we see the greatest opportunities to support local authorities.

John Flint
Chief Executive Officer and Accounting Officer
23 October 2023

[8] www.ukib.org.uk/sites/default/files/2023-09/UKIB-Strategy-Update-Local-Authority-Function.pdf

Accountability Report

Directors' report

The Directors present their annual report on the affairs of the Bank, together with the financial statements and independent auditor's report for the year ended 31 March 2023.

The Corporate governance statement is set out on page 59 and forms part of this Directors' Report.

The following information required by the Companies Act 2006, and referenced below, can be found in the following sections of the Annual Report:

- A description of the principal activities of the Bank during the financial year to 31 March 2023 is set out in "Our business" on pages 11 to 13;
- The Bank's risk management disclosures are set out in the Performance and Strategic Report on pages 39 to 45;
- Information on our employment disability policies, gender pay gap and our actions on colleague engagement is in the "Our people" section on pages 33 to 35;
- Information on the Bank's use of financial instruments is given in *Note 1.1.11 Financial instruments*, on pages 104 to 109; and
- Significant post-balance sheet events are referred to in our Performance and Strategic Report on page 50 and detailed in *Note 21 Events after the reporting period*, on page 128.

The Directors have elected to include information on the future activities of the Bank within the Performance and Strategic Report on pages 50 and 51.

Directors' indemnities

During the financial year to 31 March 2023, HM Treasury, as the sole Shareholder of the Bank, granted directors an indemnity against any losses or liabilities incurred in the course of their duties (other than those arising out of fraudulent behaviour).

The crystallisation of any liability is dependent on the actions of the directors. The Bank has not disclosed the financial effect of director indemnities because it is not practicable to do so, as there is no evidence to evaluate.

Auditors and directors' disclosure to auditors

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

- so far as the Director is aware, there is no relevant audit information of which the 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 the Bank's auditors are aware of that information. This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern and Statement of viability

Going concern

The Directors have assessed the Bank's ability to continue as a going concern taking into consideration its financial position, the principal risks set out on page 45, potential future strategic options and the current and anticipated economic conditions.

The validity of the going concern basis of accounting is dependent upon the funding position of the Bank. As of 31 March 2023, the Bank is funded by HM Treasury. Therefore, to satisfy the going concern assumption, reassurance is provided by HM Treasury that its support to the Bank remains in place.

Accordingly, the Directors of the Bank confirm that they are satisfied, at the time of approval of this Annual Report and Accounts, that the Bank has adequate resources to continue in business for the foreseeable future. For these reasons the Bank continues to adopt the going concern basis in preparing the Financial Statements. Further details of the Directors' assessment are included in *Note 1.1.13 Funding from the Shareholder* on page 109 and *Note 16.5 Capital Management* on page 126.

Statement of viability

The Bank's continuation as an entity is ultimately at the discretion of its Shareholder. The Board considered that the Bank has and will continue to have Shareholder support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Bank's business plan which is updated and approved annually by the Board. The Board is confident the finance from HM Treasury will continue and as at the date of approval of this Annual Report and Accounts they have no reason to believe otherwise.

The Directors have determined that a four-year period from the year end of assessment is an appropriate period over which to provide its viability statement. This is the period over which the Board considers that it can form a reasonable view of the key drivers of the Bank's performance, including the investment profile and operating costs.

In accordance with the requirements of the UK Infrastructure Bank Framework Document, the Bank is committed to complying with the principles and provisions of the UK Corporate Governance Code to the extent appropriate. The Board reviews compliance on at least an annual basis.

Directors

The following individuals served as Board Directors during the financial year to 31 March 2023. The process for appointment and removal of Directors is set out in the Corporate governance statement and can be found on page 69.

Board member	Position
Christopher Grigg, CBE	Chair
Charles Donald[1]	Non-Executive Director
Gay Huey Evans, CBE (interim role, resigned 10 October 2022)	Non-Executive Director
John Flint	Chief Executive Officer
David Lunn[2]	Chief Operating Officer / Senior Advisor
Marianne Økland (acting from 9 June, appointed 5 July 2022)	Non-Executive Director
Bridget Rosewell, CBE (acting from 9 June, appointed 5 July 2022)	Senior Independent Director
Annie Ropar (appointed 20 September 2022)	Chief Financial Officer
Tania Songini (acting from 9 June, appointed 5 July 2022)	Non-Executive Director
Nigel Topping (appointed 5 July, acting from 6 December 2022)	Non-Executive Director

Notes to the above table:

1. Charles Donald is the appointed Shareholder Representative Director.
2. David Lunn's interim role as Chief Operating Officer ended on 11 April 2023, at the appointment of James Emmett as the Bank's first permanent Chief Operating Officer (see also "Our organisational structure" on page 13). David Lunn was subsequently retained as a Senior Advisor to the Bank and continued as an active member of the Board until his resignation on 4 October 2023.
3. Chris Grigg, Marianne Økland, Bridget Rosewell, Tania Songini and Nigel Topping are considered by the Board to be independent.

Directors' biographies

Chris Grigg, CBE
Chair

Chris brings extensive business and finance leadership to the Bank. He served as the CEO of British Land for eleven years until November 2020, where amongst other things he oversaw large scale property development projects.

Previously, Chris was Chief Executive of Barclays Commercial Bank and a partner at Goldman Sachs. He has served on the Board of BAE Systems since 2013 – where he is currently the Senior Independent Director – and is on the corporate Board of Cancer Research UK.

Charles Donald
Non-Executive Director

Charles is a public servant with broad experience across investment banking and the public sector. Charles has been the Chief Executive of UK Government Investments ("UKGI") since March 2020, having joined UKGI in May 2018 as Head of the Financial Institutions Group. Prior to that, he spent his career in investment banking working across a number of business areas within corporate advisory and equity research.

Charles also heads the Government Corporate Finance Profession and chairs the OECD's Working Party on State Ownership and Privatisation Practices, the policy forum to promote improved corporate governance of state-owned enterprises.

Gay Huey Evans, CBE
Non-Executive Director

Gay's experience covers financial and regulatory services, banking, capital markets and commercial. During her career, she has held roles as Vice Chair Investment Banking and Investment Management at Barclays Capital, Head of Governance of Citi Alternative Investments ("EMEA") and President of Tribeca Global Management (Europe) Ltd. She was Director of markets division and Head of capital markets sector at UK Financial Services Authority from 1998-2005 and has held various senior management positions with Bankers Trust Company in New York and London.

Gay was Chair of the London Metal Exchange and serves on the Boards of Standard Chartered and Conoco Phillips. She is a Director of S&P Global and a Trustee of Benjamin Franklin House, Senior Advisor to Chatham House and a member of the US Council on Foreign Relations and the IUKFP (Indian UK Financial Partnership). She is also a Non-Executive Director of HM Treasury.

John Flint
Chief Executive Officer

John is a banker with a wealth of experience in the industry. He is the former Group Chief Executive of HSBC, a company with which he spent 30 years, having first joined them in 1989 as a graduate trainee.

In that time, he worked across the business, serving in various senior leadership positions as Chief Executive Officer of Retail Banking & Wealth Management, Chief of Staff to the Group Chief Executive of HSBC, Chief Executive of Global Asset Management, Group Treasurer and Deputy Head of Global Markets.

Directors' biographies (continued)

David Lunn
Senior Advisor

David joined the Bank from HM Treasury where he was the Europe Director, leading on the implementation of EU Exit and HM Treasury's broader Europe policy. In that role, he served as the UK's representative on the European Investment Bank's Board of Directors.

Before this, David worked in UK Financial Investments, when it managed the government's investments in the Royal Bank of Scotland, Lloyds Banking Group and UK Asset Resolution.

Marianne Økland
Non-Executive Director

Marianne currently serves as Lead Director on the Board of Scorpio Tankers Inc and as an independent director on the Professional Welsh Rugby Board responsible for the Welsh national teams and professional regional teams.

Previously she held various board positions including chairing a number of board committees at IDFC Limited (Infrastructure Development Finance Company), IDFC Alternatives (India), Islandsbanki (Iceland), the National Bank of Greece, NLB (Slovenia) as well as Hermitage Offshore. Her executive career was spent at JP Morgan and UBS structuring and raising debt capital for some of the most significant mergers and acquisitions in the Nordic area. She also headed the European operations of Marsoft advising banks and large, shipping, oil and raw material companies on shipping strategies and investments.

Ms Økland is a Norwegian national holding a MSc. degree in Finance and Economics from the Norwegian School of Economics and Business Administration where she also worked as a researcher and taught mathematics and statistics.

Bridget Rosewell, CBE
Senior Independent Director

Bridget is an experienced director, policy maker and economist, with a track record in advising public and private sector clients on key strategic issues.

Bridgett chairs the M6 Toll Company and is a Non-Executive Director for Northumbrian Water Group. Among other roles, she has chaired Atom Bank and DVSA (Driver and Vehicle Standards Agency) and been Senior Independent Director for Network Rail and Chief Economic Adviser to the Greater London Authority. In December 2018, Bridget was appointed CBE. She is also a Fellow of the Institution of Civil Engineers, the Academy of Social Science and the Society of Professional Economists. She writes on finance, risk and uncertainty as well as infrastructure and modelling validation.

Bridget has worked extensively on cities, infrastructure and finance, advising on projects in road and rail and on major property developments and regeneration. She has advised on changes to planning regulation and TfL's finances and has appeared at planning enquiries.

Directors' biographies (continued)

Annie Ropar
Chief Financial Officer

Annie joined the Bank as Chief Financial Officer in September 2022, moving to Leeds from Toronto, Canada. From 2018 to 2021, Annie was one of the first employees of the Canada Infrastructure Bank ("CIB"), joining as its inaugural Chief Financial Officer and Chief Administrative Officer. There, she was responsible for building the finance, risk management, legal and operations functions to enable the organisation's investment mandate.

Prior to CIB, Annie spent five years with Aequitas NEO Exchange Inc., a start-up trading platform launched in 2015 to compete with the effective monopoly held by the incumbent market player. She also spent nine years with Royal Bank of Canada's Capital Markets arm. Her career there spanned finance, private equity and the institutional equity trading business.

Annie is a Canadian Chartered Professional Accountant and has served on a number of private and public company, as well as non-profit boards.

Tania Songini
Non-Executive Director

Over the last six years, Tania has built a portfolio of Non-Executive Director roles including companies such as the Private Infrastructure Development Group (a development finance fund for infrastructure projects in Africa and Asia), Thrive Renewables and the Energy Systems Catapult.

Prior to 2015, Tania worked for the leading global engineering and technology services company Siemens for 18 years in their logistics, healthcare and energy businesses, where she held a number of finance director roles, including more recently Siemens' energy business in the UK and NW Europe.

Her energy experience is predominantly around renewable power generation and decentralised energy systems. Tania is the Chair of ViaNinos UK, a charity supporting street children in Ecuador.

Nigel Topping
Non-Executive Director

Nigel brings a unique mix of experience in running manufacturing businesses in UK regions and working on the industrial transformation to the zero-carbon economy. He spent the first half of his career in automotive component manufacturing, including running businesses in Manchester and Hartlepool and then as part of the MBO team that took TMD Friction private and turned it into the biggest manufacturer of brake pads in the world.

Since 2006 Nigel has been working on how to use the power of business to accelerate the zero-carbon transition, working at the Carbon Disclosure Project, leading the We Mean Business coalition to coordinate business inputs into the positive outcome of the Paris Agreement and most recently appointed as UN High Level Climate Action Champion for COP26.

Corporate governance statement

Overview

The Bank has operational independence to identify, design and deliver specific financial interventions based on its own assessment of how to achieve its objectives. The Bank also has the flexibility to allocate resources with respect to the Bank's borrowing capacity and access to capital within the delegations and limits set by HM Treasury, our Shareholder.

The Bank accounts comprehensively and transparently for its financial performance, including for non-cash items such as impairments, to HM Treasury and in its audited accounts, and in compliance with applicable legal and regulatory requirements.

With the UK Infrastructure Bank Act being passed into law in March 2023, the Bank was set up in legislation for the whole of the UK.

Strategic objectives

The Bank pursues two strategic objectives through its interventions in the UK infrastructure market. Subject to meeting our financial return targets and crowding in private capital, we seek to:

- help tackle climate change; and
- support regional and local economic growth.

In support of these objectives, we focus on delivering the following functions:

- Providing a range of financing tools, including debt, hybrid products, equity and guarantees, to support private infrastructure projects;
- Providing loans to local authorities for strategic infrastructure projects;
- Acting as a centre of expertise and providing advisory support to local authorities on infrastructure projects; and
- Expanding private sector investment in UK infrastructure.

Corporate governance 2022-23

The Board provides strategic direction to the Bank and is responsible for ensuring that effective risk management and internal controls systems (described more fully on pages 39 to 45) are in place to enable to the Bank to meet its objectives in an effective manner. These systems have been developed further during our second financial year and continue to be operational at the date of approving this Annual Report and Accounts.

The Directors are responsible for overseeing the Bank's alignment with the requirements of the UK Infrastructure Bank Framework Document ("the Framework Document"), which include requirements in relation to good governance.

During the year to 31 March 2023, the Board reviewed the Bank's corporate governance framework that is designed, in part, to enable the Bank to meet its requirements under the Framework Document. We have in place policies and procedures that are designed to help ensure our ongoing compliance with applicable laws and regulations, including (but not limited to) Anti Bribery and Corruption, Anti Money Laundering, Data Protection and Freedom of Information. We also have in place guidance and processes to ensure colleagues can safely raise concerns ('whistleblowing'). In addition to any legal and regulatory obligations, we further seek to apply good practice in our activities where this is considered both appropriate and applicable.

Compliance with the UK Corporate Governance Code 2018

The Framework Document requires the Bank to implement sound governance arrangements, including compliance with the UK Corporate Governance Code 2018 ("the Code"), as appropriate.

The Board advocates for strong governance and considers the Bank fully compliant with all relevant aspects of the Code for the financial year ending 31 March 2023. However as the Bank is a relatively new entity building its governance controls and structures, there are a small number of provisions with which the Bank was not fully compliant at the beginning of the financial year, but with which it then went on to comply at later points:

Provision 12: Division of responsibilities

This provision relates to the appointment of a Senior Independent Director ("SID"). Bridget Rosewell was appointed as SID by the Board in March 2023. Given the timing of the appointment Bridget Rosewell was unable to meet with the Non-Executive Directors in her capacity as SID, without the Chair present, in the period 1 April 2022 to 31 March 2023.

Provision 17: Composition, succession and evaluation

This provision relates to the establishment of a Nominations Committee. The first Nominations Committee meeting was held in March 2023, being the final Committee to be established. The Committee oversees the appointment and succession planning of senior management positions. The full permanent Executive team have been in post less than a year, joining in September 2022 and first sitting as an Executive Committee in October 2022.

Provisions 21 and 22: Annual evaluation

These require that a formal and rigorous annual evaluation of the Board, its committees, the Chair and individual directors be undertaken; and that the Chair should act on the results of this evaluation. The permanent Board was not established until summer 2022 and, as a result, no annual evaluation was due to be undertaken in the financial year to 31 March 2023. The evaluation was subsequently undertaken in summer 2023; further information is provided in the section on "Board performance" on page 68.

Provision 24: Audit, risk and internal control

This requires the Board to establish an audit committee of independent Non-Executive Directors, with a minimum membership of three, or in the case of small companies, two. Non-Executive Director appointments are a Shareholder reserved matter, and Board members are appointed by the Secretary of State as the Bank's sole Shareholder. Four Non-Executive Director appointments were announced on 9 June 2022 and the Audit and Risk Committee was established on 13 July 2022.

Provision 32: Remuneration

This requires the Board to establish a remuneration committee of independent Non-Executive Directors, with a minimum membership of three, or in the case of small companies, two. Non-Executive Director appointments are a Shareholder reserved matter, and Board members are appointed by the Secretary of State as the Bank's sole Shareholder. Four Non-Executive Director appointments were announced on 9 June 2022 and the Remuneration Committee was established on 14 July 2022.

Other matters relevant to compliance with the Corporate Governance Code 2018

Provision 18

This requires that all directors should be subject to annual re-election. The arrangements for the appointment and removal of directors are set out on page 69 and under the UK Infrastructure Bank Act 2023 and represent a departure from Provision 18 of the Code.

Provisions 24 and 32

The Framework Document states that the membership of each Board Committee is to be determined by the Board and updated as necessary by the Board, at least on an annual basis. The Framework Document also requires that the Shareholder Representative Director must always be a member of the Audit and Risk, Nominations and Remuneration Committees. Shareholder membership of the Audit and Risk and Remuneration Committees represents a departure from Provisions 24 and 32 of the Code.

Our key stakeholders

This Section 172(1) statement highlights our key stakeholders, why we engage with them, our priorities for engagement and some of our main interactions during the year.

Given the breadth of our remit, our need to deliver in partnership, and our commitment to being a learning organisation, we have a broad and diverse range of stakeholders with whom we regularly engage.

This is a continual process, and is factored into both our day-to-day activities – for example, deal origination and advising local authorities – and our longer-term strategic activities, such as consulting others to inform our strategic plans and frameworks (for example, those for Impact and ESRG).

This engagement is done through a variety of methods, including bilateral meetings, publications, consultations, and a myriad of external events, all with a focus on transparency, openness and honest dialogue.

As the Bank builds, so will our stakeholder base. Ensuring we canvass their views and respond to feedback will be essential for developing relationships that are built on mutual trust.

HM Treasury

HM Treasury is the Bank's sole shareholder. The Bank is wholly owned and backed by HM Treasury but is operationally independent. Our relationship is set out in the Framework Document, and we engage with HM Treasury through our Quarterly Shareholder Meetings and other scheduled or ad hoc interactions. We also work closely with HM Treasury policy teams to ensure our alignment to government priorities, in particular tackling climate change and promoting regional and local economic growth.

UK Government

Given the breadth of our mandate, we engage with a range of government departments beyond HM Treasury, including the Department for Energy Security and Net Zero, the Department for Science, Innovation and Technology, the Department for Transport and the Department for Environment, Food and Rural Affairs. Again, it is essential that we closely align with, and support, departmental priorities and upcoming milestones, so that our investments amplify government policy.

We see particular potential in the pairing of the Bank's finance with government grants. As an example, in 2022, we partnered with the then Department for Business, Energy and Industrial Strategy so that local authorities are now able to access lending from the Bank at preferential rates, based on the same application information submitted to the Government's Green Heat Networks Fund grant scheme.

Devolved administrations

We have developed strong relationships with the devolved administrations to understand their priorities and help identify investable projects in all four nations of the UK. For example, we liaised closely with the Scottish Government on a project through which we subsequently provided bridging finance to support rewilding in the Highlands and Islands. We are now building our presence in Scotland, Wales and Northern Ireland, which will enable us to develop relationships further.

UK Parliament

As an institution that is owned by government, it is crucial that we are accountable to Parliament. This is done through both formal and informal mechanisms. On the former, we liaised with the Public Accounts Committee (PAC) on their report into the creation of the Bank during the year, appearing before the Committee alongside HM Treasury. On the latter, we have established channels with Parliament and work to ensure that our activities and mission are understood by members of both houses, including by working with Committee clerks and the relevant offices. We will build on this engagement this year.

Infrastructure market

We have forged relationships with project sponsors, advisers and borrowers from across the market, allowing us to deliver deals which finance new infrastructure projects and catalyse nascent technologies. In particular, we work with the market to understand the barriers to financing infrastructure projects, so that we can ensure our capital is helping to resolve problems. We are also stepping up our post-deal engagement to ensure we learn lessons and feed into continuous improvement.

Local Authorities

Understanding the challenges local authorities encounter in delivering infrastructure projects – and helping them access the right advisory support and financial lending products to deliver solutions – is vital to our local lending facility. We engage directly, and through partners and networks, to raise awareness of our Lending offer and, as it is established, our Advisory services. Our engagement is described more fully in the sections on "Working with local authorities" on pages 29 to 30 and page 51.

Public investment bodies

We work closely with other UK Government organisations – particularly the British Business Bank ("BBB") and UK Export Finance ("UKEF"), as well as Homes England, the Scottish National Investment Bank and the Development Bank of Wales – to ensure we develop and articulate a coordinated offer to our stakeholders. As part of this, where investment proposals are not within the Bank's mandate, we will share them with our partners, where relevant, to help ensure appropriate support is in place.

Thought leaders on specific industries and sectors

While our role is to help deliver relevant government policy rather than formulate it, we regularly engage with coordinating organisations, academics, think-tanks and trade bodies who provide thought leadership on relevant sectors and issues. Sourcing their expertise helps inform our investment policies and decisions, and such bodies can be an important source of information on market and technological developments.

Colleagues

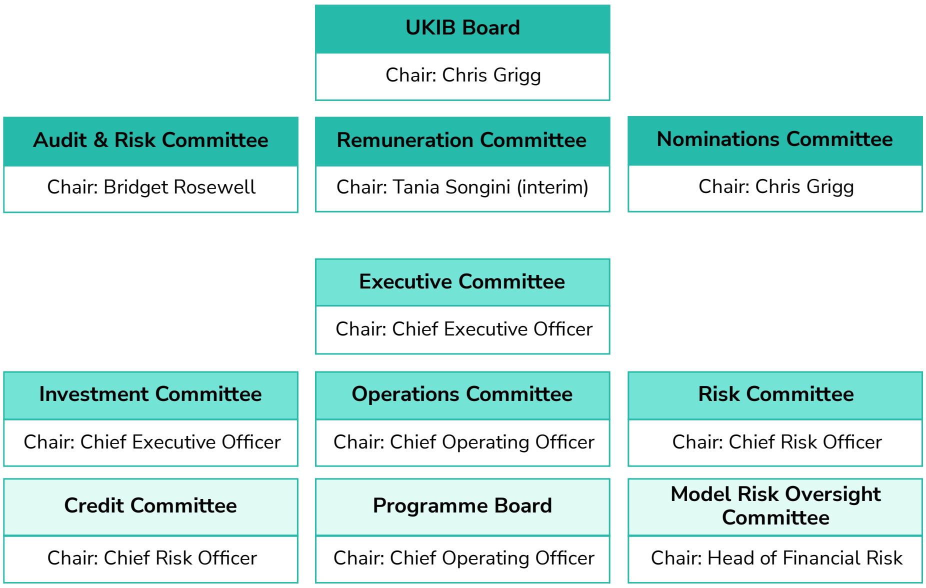
It is our staff who are building and maintaining the stakeholder relationships described above, and they too are a key stakeholder group, albeit internal.

Building and maintaining a strong colleague base with the right knowledge and expertise is crucial to the delivery of our strategic objectives. Our focus has been on hiring committed individuals to support our operational activities and we are increasingly moving to a workforce consisting of predominantly permanent employees. It is vital that we maintain productive relationships with our colleagues as they are well placed to bring ideas and opportunities for improvement.

We have described more fully our engagement, activities and priorities for our colleagues in the "Building a lasting institution" and "Continued development" sections on pages 33 to 35 and page 50 respectively.

Governance structure

Our current governance structure is set out in the following diagram:



Board meeting analysis

The table below sets out the number of Board and Committee meetings that took place during the year to 31 March 2023 and the attendance of the directors at each (where applicable):

	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
	Chair: Chris Grigg	Chair: Bridget Rosewell	Interim Chair: Tania Songini	Chair: Chris Grigg
Total number of meetings:	**9**	**6**	**7**	**1**
Name				
Chris Grigg, CBE	9/9	N/A[1]	7/7	1/1
Charles Donald	9/9	6/6	7/7	1/1
Gay Huey Evans[2], CBE	2/4	0/3	0/3	N/A
Marianne Økland[3]	7/7	6/6	7/7	1/1
Bridget Rosewell, CBE[3]	7/7	6/6	6/7	1/1
Tania Songini[3]	7/7	4/6	7/7	1/1
Nigel Topping[4]	3/3	2/2	2/3	1/1
John Flint[5]	9/9	N/A	N/A	N/A
David Lunn [5]	9/9	N/A	N/A	N/A
Annie Ropar[5,6]	5/5	N/A	N/A	N/A

Notes to the above table:

1. The Board Chair attends, but is not a member of, the Audit & Risk Committee.
2. Gay Huey Evans' interim role ended on 10 October 2022. The total meetings that she could have attended has been adjusted to reflect this.
3. Marianne Økland, Bridget Rosewell and Tania Songini took up their roles in July 2022 and the total number of Board meetings that they could have attended have been adjusted to reflect this.
4. Nigel Topping took up his role on 6 December 2022. The total number of meetings that he could have attended has been adjusted to reflect this.
5. Executive Directors attended, but are not members of, Board Committees.
6. Annie Ropar joined the Bank on 20 September 2022 and attended all Board meetings after that date.

Information to the Board

The information received by the Board and its Committees has been in keeping with the nature of a new and developing business. Management information is considered both sufficient and appropriate to enable the Board to discharge its duties in steering the organisation towards its strategic objectives, safeguarding its assets and overseeing performance. This information evolved further during the financial year in respect of its content and complexity, to reflect the continued scaling up of operations and the ongoing development of governance frameworks and activities. Specific elements of the information supplied to the Board and its Committees are covered in the next section.

Board and Committees

The Board

The full Board met nine times during the financial year to 31 March 2023. The Board was chaired by Chris Grigg, with all Non-Executive Directors and three Executive Directors being members of the Board. The dates of directors' appointments are set out on page 2 and attendance at Board meetings is set out on page 63. The Chair meets with Non-Executive Directors, without Executive Directors present, as necessary.

Responsibilities

The Board is responsible for overseeing the long-term success of the Bank so that it achieves an appropriate financial return for the Shareholder over time; and for providing the strategic guidance to ensure the Bank aligns its activities to the achievement of its strategic objectives.

Report on the period

Until the introduction of Board Committees to the governance structure, all relevant disclosures and decisions were submitted to the Board for consideration. During the year, the Board activities included:

- Approving the Annual Report and Accounts for the period to 31 March 2022 for signing;
- Considering the reporting on the Bank's financial position, including spend to date and forecasts against budget and headcount;
- Reviewing risk reporting to ensure the Bank's risk profile is consistently controlled and within the risk appetite limits;
- Receiving narrative and quantitative information on current and pipeline projects within the Bank's portfolio;
- Receiving regular updates from the Chief Executive Officer covering such areas as deals considered at Investment Committee and summaries of Quarterly Shareholder Meetings;
- Making investment decisions on deals where the values were in excess of the delegated authorities of the Investment Committee;
- Making policy decisions on investment sectors relevant to the Bank's deal activities;
- Considering the Bank's communications and engagement strategy;
- Receiving and approving the Bank's Business Plan for the financial year 2023-24;
- Overseeing the continued development of the Bank's first guarantee product and approving that product for recommendation to the Shareholder;
- Appointing Marianne Økland, to lead on engagement with the workforce and consideration of initial workforce 'pulse' survey;
- Appointing Nigel Topping as designated Board contact for TCFD;
- Appointing Bridget Rosewell as the Senior Independent Director of the Board;
- Considering and approving the Bank's Impact and Environmental, Social, Resilience and Governance frameworks; and
- Receiving regular updates from the Audit & Risk Committee and Remuneration Committee (see further information on these, below).

Following the appointment of four Non-Executive Directors in June 2022, the Board confirmed the establishment of two Committees, the Audit & Risk Committee and the Remuneration Committee, to enable more focussed oversight of the activities of the Bank. The Nominations Committee was created in March 2023. Terms of

Reference for each of the Board Committees were approved at their inception and their roles and responsibilities are set out in the following subsections.

Chris Grigg
Chair of the Board

Audit & Risk Committee

The Audit & Risk Committee was established in July 2022 and held six meetings in the remainder of the financial year. The Committee was chaired by Bridget Rosewell throughout the period and all other Non-Executive Directors, apart from the Board Chair, were members of the Committee. Attendance at Audit & Risk Committee meetings is set out on page 63.

Responsibilities

The primary responsibility of the Audit & Risk Committee is to ensure the integrity of the Bank's financial statements and any formal announcements of financial performance, such as may be made from time to time, and to make recommendations to the Board in respect of these. The Committee is also responsible for monitoring the effectiveness of the Bank's Risk Management Framework and control environment, ensuring the Bank's internal audit resource is deployed in the most effective manner, and overseeing the Bank's relationship with the external auditor.

As such, the Committee regularly invites representation from the Head of Internal Audit Services, the Chief Financial Officer, the Chief Risk Officer and the Chief Executive Officer, as well as from the Bank's external auditor, at its meetings.

Report on the period

The Audit & Risk Committee oversaw and ratified significant areas of governance during the period to 31 March 2023, with a focus on the development and embedding of key risk and internal control policies and frameworks together with robust financial and operational reporting. The Committee reviewed monthly management accounts and papers including items on credit risk management, modelling assurance and valuations.

In addition, on behalf of the Board the Audit & Risk Committee received and considered regular reports from the Bank's Internal Audit Services function (see below), the Money Laundering Reporting Officer and the Chief Risk Officer, enabling it to conclude that all material financial, operational and compliance controls continue to be effective and adequate.

Specifically, the Committee considered and agreed the:

- Audit & Risk Committee Terms of Reference;
- Internal Audit Services' strategy and plan;
- Risk Management Framework, corporate risk register and risk appetite statements;
- Annual Report and Accounts for the period to 31 March 2022, recommended to the Board for signing;
- Liquidity and Cash Management frameworks;
- Concentration and Interest Rate Risk Policies;
- Bank's approach to Model Risk, Economic Capital and Cyber Security; and
- Compliance Charter and the Whistleblowing Policy.

Internal Audit Services

The Bank's Internal Audit Services function commenced assurance work during the financial year to 31 March 2023 and undertakes its work in line with relevant professional auditing standards. The Head of Internal Audit Services reports direct to the Chair of the Audit & Risk Committee to safeguard the independence of the internal audit function, with a day-to-day reporting line to the Chief Executive Officer.

At each meeting of the Audit & Risk Committee, there is an opportunity for members to discuss matters with the Head of Internal Audit Services without management being present, if required. In addition, regular one-to-one meetings take place between the Head of Internal Audit Services and the Chair of the Audit & Risk Committee.

During the period to 31 March 2023, Internal Audit Services undertook audits in line with the formal audit plan approved by the Committee in September 2022. In addition, further assurance activities were undertaken prior to the establishment of the Committee. No critical breaches of internal control were identified through the assurance activities undertaken in the period.

The Head of Internal Audit Services also reports to the Committee regarding the completeness of agreed audit actions. During the period all actions were reported as having been addressed within reasonable timescales.

Following the financial year-end, the Head of Internal Audit Services opined that the Bank's framework for governance, risk management and internal control remained adequate, reflecting the maturity of processes and controls that could reasonably be expected of the Bank at the current stage of its development.

Interaction with external auditor and management

The Framework Document specifies that the National Audit Office ("NAO") will perform the external audit. The NAO did not provide any non-audit services to the Bank during the year.

The Audit & Risk Committee considered the following areas in relation to the financial year to 31 March 2023, with representation from both management and the NAO:

- Key financial reporting judgements within the financial statements, including the basis for determining asset valuations and provisions;
- The effectiveness of the NAO's audit process relating to the quality of the audit, handling of key judgements and responses to questions from the Committee;
- Significant accounting policies and their application to financial statements; and
- The Annual Report and Accounts and key areas of audit risk including loans, ECLs, the valuation of funds and deferred tax liabilities.

In their management letter related to the prior year audit, the NAO brought one high risk control point to the attention of the Audit & Risk Committee. This related to the need for a fully documented methodology for determining whether a significant increase in credit risk had occurred. The point was addressed subsequent to the 2021-22 financial year end.

Whistleblowing

The Audit & Risk Committee is responsible for overseeing the Bank's arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee is satisfied that the Bank has in place a clearly-signposted framework and process for raising such concerns. The Chair of the Committee is named as the senior independent contact for whistleblowing.

Bridget Rosewell
Chair, Audit & Risk Committee

Remuneration Committee

The Remuneration Committee was established in July 2022 and held seven meetings during the period to 31 March 2023. Tania Songini was interim Chair of the Committee throughout the period and all other Non-Executive Directors were members of the Committee. Attendance at Remuneration Committee meetings is set out on page 63.

Responsibilities

The primary responsibilities of the Remuneration Committee are to set the Bank's Remuneration Policy, determine remuneration packages for Executive Committee members and oversee the management of the pay and reward practices across the Bank.

Members of the Executive team and the Bank's Human Resources function may be invited to attend and support Remuneration Committee meetings but are not present when their own remuneration is discussed.

Report on the period

The period to 31 March 2023 saw focus on establishing the Bank's core pay and reward practices, which aim to position the Bank to be able to hire well and deliver on its critical mission, and assessing the performance of both the Executive team and the company.

During the financial year, the Remuneration Committee reviewed and agreed the:

- Remuneration Committee Terms of Reference;
- Remuneration Framework, including the Remuneration Policy, approach to annual pay review, annual bonus and LTIP schemes;
- Assessment of performance and Long Term Incentive Plan ("LTIP") grant for the CEO for the financial year to 31 March 2022;
- Approach for staff remuneration regarding financial regulation (SM&CR);
- Ad-hoc salary proposals for new Executive Committee roles;
- Key performance indicators for the financial year to 31 March 2023 and related measurements / targets for the Bank; and
- Pay-out level for the annual bonus and LTIP schemes for the financial year to 31 March 2023.

The "Remuneration and Staff Report" (see pages 71 to 84) covers:

- The Bank's Remuneration policy for all employees and Non-Executive Directors;
- Details of the assessed performance outcome for the financial year to 31 March 2023;
- Remuneration for the Executive and Non-Executive Directors; and
- The Staff report.

Looking to the year ahead, focus will remain on hiring well and creating a diverse bank and a distinctive employee proposition bringing together best practices from the public and private sectors. To underpin this, we will continue to take a rigorous approach to gathering and utilising market intelligence including benchmarking against comparable organisations.

Tania Songini
Interim Chair, Remuneration Committee

Nominations Committee

The Nominations Committee was established in March 2023 and held one meeting before the end of the financial year to 31 March 2023. The Committee was chaired by Chris Grigg and all other Non-Executive Directors were members of the Committee. Attendance at Nominations Committee meetings is set out on page 63.

Responsibilities

The primary responsibilities of the Nominations Committee are to determine the Bank's approach to Executive Director appointments and succession planning, to supervise the outcomes and actions arising from internally and externally conducted Board evaluations and to approve and to oversee the implementation of the Bank's policies and approaches to diversity and inclusion.

Report on the period

In its only meeting during the period, the Nominations Committee considered and approved its Terms of Reference and the approach to be taken with Board evaluation during the financial year to 31 March 2024. The Committee also discussed succession planning and noted that a draft succession plan would be considered at the next meeting.

Chris Grigg
Chair, Nominations Committee

Other Committees

The Executive Committee is responsible for the day to day running of the Bank. The Executive Committee supports the Chief Executive Officer in delivering the Bank's strategy, directing the day-to-day business of the Bank and championing the values of the Bank.

Decisions of the Executive Committee are supported by inputs from a number of other key committees; these allow for focussed discussion and consideration of detailed information before recommendations are escalated. The three main areas covered by these further forums are investments, operations and risk:

- The Investment Committee is responsible for vetting and making recommendations to the Chair of the Investment Committee (the Chief Executive Officer and Accounting Officer) for financing activities that meet the investment criteria of the Bank. The Credit Committee supports the Investment Committee by undertaking annual reviews of investments provided by the Bank and ad hoc reviews arising from material changes to such arrangements;
- The Operations Committee provides review, guidance and oversight for the overall operations of the Bank and implementation of its corporate strategy. The Programme Board supports the Operations Committee by overseeing the portfolio of activity across the Bank and reporting against delivery; and
- The Risk Committee is responsible for the oversight of the risk management policies and practices of the Bank's operations. The Model Risk Oversight Committee reports into the Risk Committee; it oversees the overall quality assurance approach and undertakes high level assurance exercises such as testing the assumptions, outputs and risks associated with business-critical models.

Board performance

The Bank's sole Shareholder, HM Treasury, maintains ongoing oversight of the Bank's activities and the performance of the Board through regular stakeholder engagement and Quarterly Shareholder Meetings.

The Nominations Committee is responsible for reviewing internally and externally conducted Board evaluations, as well as the outcomes and actions arising from any such reviews. As noted on page 67, the Nominations Committee met for the first time in March 2023 and discussed the approach for future internal and external independent evaluations of Board performance. It was agreed that the first review would be carried out during the summer of 2023, and this was completed in line with expectations.

Value for Money

The NAO undertook a Value for Money ("VfM") review, "The Creation of the UK Infrastructure Bank" in the first half of the 2022 calendar year and published their report at the start of July 2022. The report can be found at: www.nao.org.uk/reports/the-creation-of-the-uk-infrastructure-bank.

The NAO proposed that the Bank seeks to address the following recommendations over time:

- To further develop our understanding of where UK infrastructure needs are greatest;
- To ensure our performance framework appropriately balances between the Bank's objectives and enables robust evaluation of its activities over the longer term;
- To better benchmark our support function costs to enable improved assessment of the Bank's cost-effectiveness;
- To develop our strategy for the Local Authority Advisory service and the measures by which we will assess its performance over time;
- To continue to work with central government and other public bodies to structure our engagement, maximise opportunities for co-operation and manage areas of potential duplication; and
- To develop means to assess the adequacy of our engagement with local authorities and other stakeholders.

The Bank accepted these recommendations and colleagues continue to work closely with our Shareholder and the NAO's VfM team to respond to all aspects of the report.

The NAO also recommended that our Shareholder, HM Treasury, confirms how it intends to conduct a post-implementation review of the Bank's set-up and the ongoing appropriateness of the Bank's initial structures. The NAO periodically publishes progress against the recommendations of their VfM reports at: https://www.nao.org.uk/recommendations-tracker/.

Public Accounts Committee

In November 2022, representatives from the Bank and our Shareholder attended a meeting of the Public Accounts Committee to respond to questions. Elements of the NAO's VfM report were discussed in more detail, along with other aspects of the Bank's set up and operation. The Committee published their own report "The Creation of the UK Infrastructure Bank" in January 2023 and this, along with subsequent responses from the Bank and our Shareholder, can be found at: https://committees.parliament.uk/work/6948/creation-of-the-uk-infrastructure-bank/publications.

Appointment and removal of Directors

Full details of the arrangements in place for the appointment and removal of the Bank's Directors can be found in the UK Infrastructure Bank Act 2023.

The Shareholder appoints the Shareholder Representative Director to sit as a Non-Executive Director on the Bank's Board. The Shareholder also appoints the Chair and other Non-Executive Directors; and the Chief Executive Officer who is a permanent employee of the Bank.

The Bank is responsible for appointing all other Executive Directors and other staff, with the Nominations Committee determining and agreeing with the Board the process for the appointment of Executive Directors in particular. Any proposed appointments of Executive Directors to the Bank's Board are subject to the approval of the Shareholder.

Business Appointments rules

Under the Business Appointments rules, secondees from government departments who are working within the Bank are expected to approach their home departments' Human Resources functions before undertaking any commitments to taking up new roles outside the civil service.

During the financial year to 31 March 2023, the Bank followed the Business Appointment rules insofar as they were applicable to its permanent employees, who are all employed as public servants, although no specific individual advice was either sought from or given by the Bank, in relation to the rules.

Conflicts of interest

The directors have a duty under the Companies Act 2006 to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Bank's interests.

The Bank's Conflicts of Interest policy sets out a formal process for the identification, assessment, management and recording of conflicts of interest, including written disclosure of all actual or potential conflicts of interest for all Directors and staff. Directors and the Executive team are reminded of the need to declare conflicts of interest at regular intervals throughout the year.

We will be disclosing details of company directorships and other significant interests held by members of the Board, which may conflict with their management responsibilities, in Autumn 2023, via our website at www.ukib.com. It is also possible to access this information at Companies House: Find and update company information - GOV.UK (company-information.service.gov.uk).

Political donations

The Bank did not make any political donations or incur any political expenditure during the financial year to 31 March 2023 (FY 2021-22: £Nil).

Remuneration and Staff Report

Remuneration report

The Remuneration report is prepared in accordance with the Government Financial Reporting Manual ("FReM") 2022/23. The Bank's Remuneration Policy and the Remuneration Committee's assessment of performance for the financial year are set out below.

Remuneration policy

The Bank's Reward Framework is designed to attract and retain employees with the skills and experience required for the Bank while also showing the level of restraint appropriate to a Public Sector body in its use of public funds. These balanced principles are reflected in our overall approach towards reward.

The Bank has engaged with an external advisor to help determine a suitable remuneration policy for all employees including base salary, annual bonus, LTIP and pension.

The Bank's Remuneration Policy, summarised in the following table, was provided to the Shareholder and approved by the Remuneration Committee in February 2023. Given the timing of this approval, there was no specific engagement with the workforce to explain how executive remuneration aligns with the wider company pay policy, during the financial year. The Committee considers that the Remuneration Policy operated as intended during the period since its inception in terms of company performance and quantum.

Reward Framework	
Base salary	• The base salary is the basic pay which is set based on the Bank's agreed pay ranges. These ranges have been determined in the context of appropriate comparators and approved by HM Treasury. • This is reviewed annually with any changes effective from 1st April each year.
Annual bonus	• The Bank offers a discretionary annual bonus plan for all eligible permanent employees who are not in the LTIP. • Company performance will result in a bonus of between 1- and 3-months' salary and minimum will be zero if performance falls below an agreed threshold. • The bonus is prorated for employees who join during the financial year. Employees who do not meet the standard conduct expectations of the Bank will not receive a bonus. • Clawback may be applied to the annual bonus scheme of any Executive Committee members eligible for the plan, allowing the bonus payments to be recovered within six years of the date of grant, subject to review by the Remuneration Committee. • Individuals cannot participate in both the annual bonus and the LTIP.

Long Term Incentive Plan	• Depending on the role, the Bank offers Executive Committee members, who are not in the annual bonus plan, the opportunity to participate in the long-term incentive plan.
	• The LTIP is based on a mixture of financial and non-financial measures, including risk, in line with the Bank's performance objectives.
	• The maximum grant is either 30% or 50% of salary (depending on the role). The actual grant level is reflective of the level of performance achieved against agreed key performance indicators:
	    o Below threshold: zero
	    o Threshold: 50% of award
	    o On-Target: 75% of award
	    o Maximum: 100% of award
	• Where performance exceeds threshold, straight-line scaling operates up to a maximum award of 100%.
	• Subject to achieving at least threshold performance levels, awards will be granted on an annual basis once the financial accounts are closed.

Reward Framework	
Long Term Incentive Plan (continued)	• 50% of the grant will vest and be paid on or after the second anniversary of the grant and 50% on or after the third anniversary of the grant. • The LTIP is prorated for employees who join during the financial year. • Malus and clawback may be applied to the LTIP scheme, allowing the incentive payments to be recovered within six years of the date of grant, subject to review by the Remuneration Committee. • Standard good leaver terms include death, ill-health, injury or disability or any other reason the Remuneration Committee determines at their discretion.
Pension	• The Bank provides a contributory pension scheme up to retirement age upon commencing employment. • The Bank's employer contribution rate is 10% of annual basic salary, and the Bank matches employee contributions up to a further 5%. • Bonus and other benefits are not pensionable. • Employees can choose to opt out of the pension scheme and receive cash in lieu of employer's pension payments (subject to tax and NIC at the prevailing rates) for specific reasons, such as having reached their lifetime allowance or in cases of hardship or financial difficulty.
Benefits	• Life Assurance. • Income Protection Cover. • Flexible Benefit Scheme - Employees can select some of their own benefits up to a value of 10% of basic salary up to a monetary cap, or are offered a cash equivalent. This was effective from May 2023. During the financial year to 31st March 2023, only the cash equivalent was available.

The remuneration of the Chair and Non-Executive Directors is determined by HM Treasury. Non-Executive Directors are not eligible to receive employer pension payments or benefits and do not have access to the Bank's Long-Term Incentive Plan or annual bonus scheme.

Assessment of performance: outcome for the year to 31 March 2023

The Bank remains committed to offering the right pay and incentives to attract and retain a quality workforce while also showing the level of restraint appropriate to a Public Sector body. These balanced principles are reflected in our overall approach towards reward, and we have taken a similarly balanced approach when assessing the Bank's performance for the financial year to 31 March 2023.

The key performance indicators ("KPIs") relevant to the financial year to 31 March 2023 were approved by the Remuneration Committee in September 2022, which coincided with five permanent Executive Committee members joining the Bank. They include both qualitative and quantitative metrics, with the Remuneration Committee exercising overall judgement. We believe that this is the right approach at this still early stage of the Bank's development. Of the five KPIs, the one aimed at People & Culture is the most highly weighted (at 40%), which is consistent with recruitment remaining the critical task as the Bank builds out. The other four KPI categories are weighted equally at 15% each.

The Remuneration Committee completed its evaluation of the KPIs for the financial year, in April 2023.

The Committee assessed all categories as having been "On Target" for the financial year, apart from People & Culture, where an assessment of "Above Target" was agreed. This assessment reflects the progress made since the permanent Executive Committee members joined the Bank, the quality of the people joining, their high levels of engagement, and the pace at which recruitment is now taking place.

The table below and on the following page shows the breakdown of the performance outcome by KPI category.

FY22/23 KPI Categories	Performance measures	Weighting	Performance Assessment	Performance Assessment – weighting & commentary	
Impact	Develop Impact framework and metrics. Progress against regional & local economic growth and net zero objectives.	15%	On Target 75.0%	11.3%	Assessment frameworks are in place. Early investments are showing positive progress against mandate.
Financials	Mobilise Private Finance towards £18 billion estimate by HM Treasury. Progress towards ROE range of 2.5% - 4%. Build balance sheet.	15%	On Target 75.0%	11.3%	Positive progress is being made in building the balance sheet and mobilising capital. Whilst early in the Bank's development, ROE is ahead of early expectations. Operating expenditure is within budget, reflecting budget management and a reset of recruitment plans.
Market Recognition	Build effective relationships with Shareholder and government departments. Establish presence and credibility in the market.	15%	On Target 75.0%	11.3%	Positive feedback received from key HM Government engagement. Market presence (and diversity/challenge of investments) has been building through year. Local Authority advisory pilots were successfully concluded.

FY22/23 KPI Categories	Performance measures	Weighting	Performance Assessment	Performance Assessment – weighting & commentary	
People & Culture	Recruit permanent establishment without compromising on quality. Create a workplace culture that both engages employees and allows the bank to fulfil its potential.	40%	Above Target 86.3%	34.5%	Permanent staff recruitment to the Leeds HQ has yielded high quality individuals, within the approved pay regime. Hiring to both the permanent workforce and the senior executive team are reflective of the Bank's efforts towards a 'diverse by design' approach. The Remuneration Committee found this measure to be 'above target' on the basis of the calibre of staff recruited, their levels of engagement and the pace at which recruitment is now taking place. Cultural indicators are considered to be positive.
Risk & Systems	Establish Governance, Risk & Control framework.	15%	On Target 75.0%	11.3%	Governance and Risk frameworks are in place and system development is on plan.
Total		**100%**	-	**79.5%**	

Based on this, LTIP participants have been granted an award at 79.5%. This means that LTIP participants will receive 23.85% for the 30% LTIP scheme and 39.75% for the 50% LTIP scheme. The grant and award will be prorated for new joiners and Clawback and Malus will apply.

Non-Executive Director Remuneration

The following table sets out the remuneration received by Non-Executive Directors in each of the current and prior financial years.

Non-Executive Director fees payable in period to 31 March (Audited)

				Total fees (ranges of £5,000) £000	
Name	**Role**	**Start date**	**End date**	**2022-23 (FYE)**	**2021-22 (FYE)**
Christopher Grigg[2], CBE	Chair	03/05/21	-	115-120 (115-120)	105-110 (115-120)
Charles Donald[3]	Shareholder Representative	18/05/21	-	-	-
Gay Huey Evans[4], CBE	Non-Executive Director	17/06/21	10/10/22	-	-
Marianne Økland[5]	Non-Executive Director	09/06/22	-	20-25 (25-30)	-
Bridget Rosewell[5], CBE	Non-Executive Director	09/06/22	-	20-25 (25-30)	-
Tania Songini[5]	Non-Executive Director	09/06/22	-	20-25 (25-30)	-
Nigel Topping[5]	Non-Executive Director	06/12/22	-	5-10 (25-30)	-

Notes to the above table:

1. Bracketed figures show equivalent values for a full year ("FYE").
2. Christopher Grigg is a permanent employee and his gross pay is included in the total payroll costs for the Bank for the period; he received no pension or bonus payments in either the current or prior financial period. The gross pay for the financial year 2021-22 was calculated from the date on which he began his role with the Bank, which was two weeks prior to his formal appointment as director.
3. Charles Donald, the Shareholder Representative Director from UKGI, receives no fees from the Bank.
4. Gay Huey Evans received fees from HM Treasury and these are disclosed in HM Treasury's Annual Report and Accounts for each of the respective financial years; she received no fees from the Bank and her role in the Bank formed part of her HM Treasury non-executive appointment.
5. Marianne Økland, Bridget Rosewell, Tania Songini and Nigel Topping each received fees commensurate with their roles as Non-Executive Directors and their attendance at relevant Board and Board Committee meetings. For the year to 31 March, meeting attendance by Non-Executive Directors is set out in the table on page 63. The start dates of these directors, noted above, are the dates from which they were acting in role and differ to their formal appointment dates, as set out in the list of Board members on page 55.

Executive Directors' Remuneration

Executive Directors' remuneration includes gross salary, pension and Long Term Incentive Plan ("LTIP"), where applicable. The remuneration is subject to the deduction of appropriate taxes via the PAYE system. The table below reports the remuneration of each Director in accordance with their service contracts.

Remuneration for the period from 1 April 2022 to 31 March 2023 – ranges of £5,000 (Audited)

£000

Name	Salary (FYE[1])	Flexible benefits[6] (FYE)	Pension (FYE)	Bonuses / LTIP[2] (FYE)	Cash in lieu of pension (FYE)	Total 2022-23 (FYE)
John Flint[3] (Chief Executive Officer)	325-330 (325-330)	5-10 (10-15)	N/A	130-135 (130-135)	30-35 (30-35)	500-505 (505-510)
David Lunn[4] (Interim Chief Operating Officer / Senior Adviser)	125-130 (125-130)	-	-5 to -10 (-5 to -10)	-	-	115-120 (115-120)
Annie Ropar[5] (Chief Financial Officer)	145-150 (270-275)	5-10 (10-15)	20-25 (40-45)	50-55 (105-110)	-	230-235 (440-445)

Remuneration for the period from 1 April 2021 to 31 March 2022 – ranges of £5,000 (Audited)

£000

Name	Salary (FYE)	Flexible benefits[6] (FYE)	Pension (FYE)	Bonuses / LTIP (FYE)	Cash in lieu of pension (FYE)	Total 2021-22 (FYE)
John Flint[7] (Chief Executive Officer)	165-170 (325-330)	-	N/A (N/A)	60-65 (120-125)	15-20[3] (30-35)	245-250 (485-490)
David Lunn[4, 7] (Interim Chief Operating Officer)	110-115 (125-130)	-	155-160 (155-160)	-	-	270-275 (280-285)
John Mahon[7] (Interim Chief Executive Officer)	95-100 (325-330)	-	-	-	-	95-100 (325-330)

Notes to the above tables:

1. Bracketed figures show equivalent values for a full year ("FYE") which supports accurate comparisons between current and preceding periods.
2. For the year to 31 March 2023, John Flint and Annie Ropar were eligible to participate in the LTIP award. The policy allows for them to be awarded up to 50% of annual salary as a performance LTIP. The Remuneration Committee assessed the LTIP award, based on outcomes against the Bank's KPIs, as being 79.5% of this. Further detail on the LTIP award calculations can be found on pages 73 and 74.
3. John Flint did not participate in the pension scheme but alternatively received £33,000 (FY 2021-22: £16,867) due to a cash option, in accordance with his employment agreement. The total remuneration attributable to John Flint, as highest paid director, was £502,925 (FY 2021-22: £248,784).
4. David Lunn was seconded from HM Treasury; his salary was paid by HM Treasury and recharged to the Bank; as a secondee, he was not eligible for the LTIP scheme and did not receive any bonus. He is a member of the defined benefit civil service pension scheme (details on page 77). The pension amounts reflect the actuarial valuation which is a change from the prior year disclosure.
5. Annie Ropar joined the Bank on 19 September 2022. The in-year figures reflect this and the LTIP was prorated accordingly.
6. Flexible benefits were only available from September 2022.
7. The periods for which John Flint, David Lunn and John Mahon were remunerated during the year to 31 March 2022 are as follows: John Flint: 27/09/21-31/03/22; David Lunn: 03/05/21-31/03/22; and John Mahon: 04/05/21-17/09/21.
8. Three directors served the company under its former name, Infrastructure Finance Unit Limited, until 18 May 2021: Steve Lomas, Jayesh Doshi and Matthew Vickerstaff. All three were employed and paid by the Cabinet Office and it was agreed previously by HM Treasury and the Cabinet Office that their cost would not be recharged. As a result, their remuneration was not included in the Bank's staff costs for the financial year to 31 March 2022.

Directors – pension benefits (Audited)

As noted in the tables above, the Chief Executive Officer has opted out of the Bank's pension scheme and has received payment in lieu of this. The employer's pension payments made in relation to the Chief Financial Officer were calculated in line with the Remuneration Policy, the detail of which is set out on pages 71 and 72. The interim Chief Operating Officer / Senior Advisor is an office holder in the defined benefit civil service pension scheme. His pension benefit breakdown for the current and prior years is set out in the following tables:

Financial year to 31 March 2023
£000

Name	Period	Accrued pension at pension age as at 31/03/23 and related lump sum[1] (Ranges of £5,000)	Real increase in pension and related lump sum at pension age (Ranges of £2,500)	CETV at 31/03/23	CETV at 31/03/22	Real increase in CETV
David Lunn	01/04/22-31/03/23	50-55 plus a lump sum of 90 – 95	0-2.5 plus a lump sum of 0	898	827[2]	-24[3]

Financial year to 31 March 2022
£000

Name	Period	Accrued pension at pension age as at 31/03/22 and related lump sum[1] (Ranges of £5,000)	Real increase in pension and related lump sum at pension age (Ranges of £2,500)	CETV at 31/03/22	CETV at 31/03/21	Real increase in CETV
David Lunn	03/05/21-31/03/22	45-50 plus a lump sum of 90 – 95	7.5 – 10 plus a lump sum of 12.5 - 15	825	658	124

Notes to the above tables:

1. Members of the Premium Principal Civil Service Pension Scheme ("PCSPS") can choose, within a predetermined range, how their accumulated pension benefits are split between lump sum and annual pension. Further detail on the pension arrangements for this director are set out on pages 79 and 80.
2. Figures have been restated where the administrator has made retrospective updates to the data.
3. Taking account of inflation, the CETV funded by the employer has decreased in real terms and a negative CETV is shown for David Lunn.

Payments to past directors (Audited)

No payments were made to former directors during or since the financial period (FY 2021-22: £Nil).

Compensation for loss of office (Audited)

No payments were made in relation to loss of office during or since the financial period (FY 2021-22: £Nil).

Fair pay (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The pay multiple is the relationship between the remuneration of the highest paid director / employee in the organisation (in this case the Chief Executive Officer) and the median remuneration of the organisation's workforce, a significant proportion of which were contractors. Total remuneration includes salary, non-consolidated performance related pay and benefits in kind, but excludes severance payments, employer pension contributions and cash equivalent transfer value of pensions.

The banded pay (FYE) of the highest paid director in the Bank in the financial year to 31 March 2023 was £500k-£505k (FY 2021-22: £485k-£490k). This was 4.0 times (FY 2021-22: 4.3 times) the median remuneration of the workforce (which included permanent employees, secondees and contractors), which was £116k (FY 2021-22: £112k). Annualised remuneration (i.e. total remuneration payable over a 12 month period) of the Bank's employees ranged from £25k-£448k (FY 2021-22: £32k - £490k); no employees received pay more than the highest paid senior manager / director. The table below sets out the remuneration for the lower quartile, median and upper quartile and their respective relationships with the remuneration of the highest paid director in the Bank for the years ending 31 March.

Financial year ended 31 March	Total pay and benefits	Lower quartile (25%)	Median (50%)	Upper quartile (75%)
2023	Remuneration	£72,404	£116,230	£149,662
	Ratio	6.5	4.0	3.1
2022	Remuneration	£59,441	£112,154	£163,363
	Ratio	8.2	4.3	3.0
Financial year ended 31 March	**Salary only**	**Lower quartile (25%)**	**Median (50%)**	**Upper quartile (75%)**
2023	Remuneration	£72,003	£115,500	£145,908
	Ratio	6.5	4.1	3.2
2022	Remuneration	£59,441	£112,154	£163,363
	Ratio	8.2	4.3	3.0

Note to the above table:

There was no increase to the annual salary of the Chief Executive Officer for the year to 31 March 2023 and only a marginal increase to his overall banded pay, driven by the introduction of flexible benefits in the latter part of the current financial year as part of the Reward Framework. As such, changes to the above pay ratios between the prior and current financial year are predominantly caused by changes to the mix of staff resource and associated relative pay of employees. The first table in *Note 3 Staff and staff costs* (page 114), shows the changes in average headcount and mix of staff resource between the prior and current year; a greater number and proportion of contract staff has driven the change in the quartile bandings, which has in turn impacted the remuneration value at the lower quartile in particular. As the Bank's permanent hiring continues to further replace the use of contract resource, we would expect to observe further change in these remuneration ratios over the near-term future, before a steady-state position is reached.

Comparison of salary between current and prior year

Percentage change from previous financial year in respect of highest paid director (FYE)	
Salary	No increase
LTIP / Bonus	4% increase

Percentage change from previous financial year in respect of employee average	
Salary	3% increase
LTIP / Bonus	N/A[1]

Note to the above table:

1. A comparison of employee bonuses is not possible as none were paid in the prior year.

Gender split at the Bank

Band	Female		Male	
	Number	% of band	Number	% of band
Executive	3	43%	4	57%
Other Bands	22	33%	44	67%
Total	**25**	**34%**	**48**	**66%**

The Bank started its permanent recruitment by prioritising the establishment of the permanent Executive team and the growth of the Front Office, including Banking & Investments, Portfolio Management and Local Authority. The Executive team is gender balanced and the Bank embraces the opportunity to embed gender diversity at this foundational stage.

Pension arrangements for permanent employees

The Bank provides a contributory pension scheme for permanent employees, the details of which are set out in the Reward Framework table on pages 71 and 72.

Pension arrangements for government secondees

Secondees remain on their individual home departments' Terms and Conditions whilst working at the Bank. As a result, Secondees' bonuses are determined annually by the individual home departments' rating of performance through their respective year-end appraisal process.

Secondees' pension arrangements are made through the pension providers of their home departments.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, the Civil Servants and Others Pension Scheme (Alpha) was introduced, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the PCSPS, which has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those members who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched to Alpha between 1 June 2015 and 1 February 2022. All members who switched to Alpha had their existing PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range from 4.6% and 8.05% for members of classic, premium, classic plus, nuvos, and

Alpha. Benefits in classic accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an alternative civil service stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of Alpha. (The pension figures quoted for officials show pension earned in PCSPS or Alpha – as appropriate. Where the official has benefits in both the PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Value ("CETV")

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

This is the element of the increase in accrued pension funded by the employer. In the financial year to 31 March 2023 David Lunn's real increase in CETV was funded by HM Treasury. It excludes increases due to inflation and contributions paid by the staff member. It is worked out using common market valuation factors for the start and end of the period.

External advisors

The Bank used advisors to help benchmark roles within the market and provide a Pay and Reward recommendation. During the financial year an amount of £24,300 was recognised (FY 2021-22: £183,010 accrued) in relation to this work. The advisors were selected through an open procurement process and do not have any connection with the Bank.

Service contracts

The following table sets out relevant aspects of the service contracts of the Bank's Directors. Previous Directors of the company who were in office during the prior financial year but were no longer serving at the inception of the Bank in June 2021, were employed and paid by the Cabinet Office. As such, details of their service contracts are not relevant for the purposes of this report.

Name	Contract start date	Contract end date	Unexpired term as at 31 March 2023	Notice period
Christopher Grigg, CBE	3 May 2021	2 May 2024	13 months	3 months
John Flint[1]	27 September 2021	N/A	N/A	6 months
David Lunn	3 May 2021	4 October 2023[2]	6 months	1 month
Charles Donald	18 May 2021	N/A	N/A	1 month
Gay Huey Evans, CBE	17 June 2021	10 October 2022	N/A	N/A
Bridget Rosewell, CBE	9 June 2022	9 June 2026	38 months	1 month
Tania Songini	9 June 2022	9 June 2026	38 months	1 month
Nigel Topping	6 December 2022	9 June 2025	26 months	1 month
Marianne Økland	9 June 2022	9 June 2025	26 months	1 month
Annie Ropar[1]	19 September 2022	N/A	N/A	6 months

Notes to the above table:

1. John Flint and Annie Ropar are the only Directors who served during the financial year to 31 March 2023 whose contract contains provisions for further payment in the case of early termination of contract. Such provisions state that a payment would be made in lieu of notice for salary (less applicable income tax and National Insurance) but would not include any bonus, holiday entitlement or other benefits that would otherwise have been accrued during the notice period.
2. David Lunn's role was extended from April to October 2023.

This Remuneration report was approved by the Board of Directors on 23 October 2023 and was signed on its behalf by:

Tania Songini
Chair, Remuneration Committee

23 October 2023

Staff report

Workforce

As at 31 March 2023, the Bank had a workforce of 194 FTE (31 March 2022: 127 FTE). This was comprised of permanent employees, secondees and contractors brought in via recruitment agencies. Secondees to the organisation are from Civil Service departments, Universities and Banks.

The average monthly number of FTE employees in the period is set out in *Note 3 Staff numbers and staff costs* on page 114. A breakdown of the Bank's FTE workforce at 31 March is provided in the following table:

Employee category	31 March 2023	31 March 2022
Permanent employees	73	9
Secondees	34	43
Contractors	87	75
Total	**194**	**127**

Workforce location

Once fully established with a predominantly permanent workforce, the Bank's target is to have at least 90% of colleagues working outside London. The split of FTE by location at 31 March 2023, was as follows:

		Contracted office location 2023					
		Leeds		London		Remote	
	Total FTE	Number	% of total	Number	% of total	Number	% of total
Permanent employees	73	70	96%	3	4%	-	0%
Secondees	34	18	53%	14	41%	2	6%
Contractors	87	54	62%	-	0%	33	38%
Total	**194**	**142**	**73%**	**17**	**9%**	**35**	**18%**

Trade Union facilities time

No employees were union officials during the period (FY 2021-2022: Nil).

Sickness absence

During the reporting period the average number of working days lost due to sickness absence per FTE was minimal. Though specific sickness data has not been formally collected, all sickness absences are reported to line managers, and this is escalated where appropriate. No escalations were made during the accounting period. As the Bank grows its permanent workforce and implements its core HR systems, sickness absence data will be formally collected.

Staff turnover

The following table sets out staff turnover in the financial year to 31 March 2023. Changes in employee status, for example from secondee to permanent, are counted as leavers in the relevant classifications. The percentage turnover is calculated as the leavers in each category during the financial year 2022-23, divided by the average number of employees in that category in the same period. By its nature, turnover for contractor and secondee resource is typically high, as it reflects the volume of staff whose contract or secondment terms ended at any point during the financial year to 31 March 2023. Given the Bank's planned recruitment of permanent employees and reduced reliance on secondee and contractor resource in its ongoing build phase, this is in line with our expectations.

Employee category	Leavers	Turnover
Permanent employees	1	4%
Secondees	29	66%
Contractors	66	70%
Total	**96**	**59%**

Staff policies

The Bank is committed to ensuring equality of opportunity for all disabled staff. Applicants for positions at the Bank are invited to notify the organisation if special arrangements are required to enable them to participate in the recruitment process.

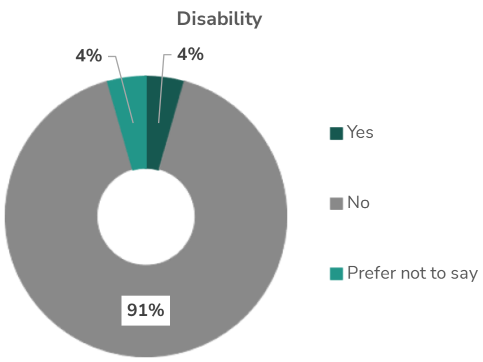
The Bank provides occupational health services to all employees to accurately identify and prescribe appropriate reasonable adjustments to support them in the workplace in accordance with the Bank's duty under the Equality Act 2010. The Bank has acquired an Employee Assistance Programme and made this available to all permanent, seconded and contractor colleagues.

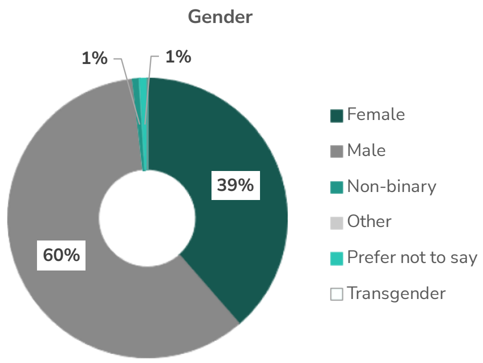
Exit packages (audited)

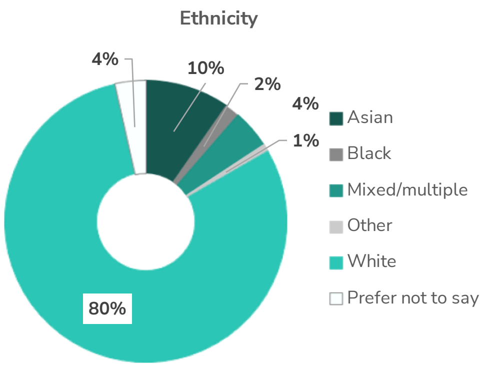
During the reporting period, the Bank did not incur any costs in relation to exit packages (FY 2021-22: £Nil).

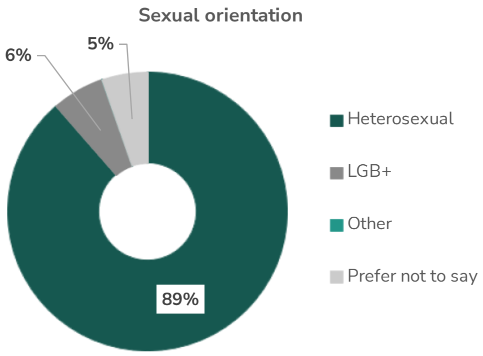
Staff diversity and inclusion

The Bank is committed to ensuring that the workforce is as diverse and inclusive as possible, giving equal opportunity to all regardless of their background, race, religion or sexuality. The following charts demonstrate the extent of diversity in the Bank's workforce, based on colleagues' self-declarations in a diversity survey completed in March 2023. The survey was shared with all colleagues (permanent, secondees and contractors) in post at the date of the survey and a 60% completion rate was achieved.









Staff costs and numbers (Audited)

Total costs of £26.9 million (FY 2021-22: £8.9 million) comprised £4.8 million related to permanent employees, £5.4 million related to secondees from other public and private-sector institutions and £16.6 million related to contract staff. The average monthly number of FTE employees including directors during the financial year to 31 March 2023 was 164 (FY 2021-22: 56). See *Note 3 Staff numbers and staff* costs on page 114 for more detail.

Consultancy spend and contingent labour costs

Consultancy costs of £0.8 million (FY 2021-22: £0.6 million) are recorded in *Note 4 Other operating expenditure* (see page 115). Contingent labour costs are set out in *Note 3 Staff numbers and staff costs* (see page 114), with costs of £16.6 million in the financial year (FY 2021-22: £5,5 million). The increase in contingent labour costs is consistent with the increase in numbers and reflective of the Bank's use of contingent labour resource during its initial growth phase during the financial years 2021-22 and 2022-23.

Staff pension costs

For the reporting period, staff pension costs of £0.4 million (FY 2021-22: £0.1 million) are employers' pension contributions which were payable to the PCSPS at rates in the range 27.9% to 30.3% of pensionable earnings based on salary banding. For all other permanent employees, the Bank's employer contribution rate is 10% of annual basic salary with a further 5% maximum matching contribution.

Off-payroll engagements

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll.

Number of engagements for more than £245 per day as of 31 March

	2022-23	2021-22
Total number of engagements	85	78
Of which: Existed for less than one year at time of reporting	49	78
Of which: Existed between one and two years at the time of reporting	36	-

The relevant disclosures for off-payroll engagements relevant to the financial years to 31 March 2022 and 31 March 2023 are shown in the tables below.

Number of engagements for more than £245 per day at any point during the year ended 31 March

	2022-23	2021-22
Total number of engagements	141	85
Of which: Number assessed as within the scope of IR35	141	85

No engagements have been reassessed for compliance or assurance purposes during the period.

Number of engagements of senior officials with significant financial responsibility in the year

	2022-23	2021-22
Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the period.	1	6
Of which: Existed for less than one year at time of reporting	-	6
Total number of individuals on payroll and off-payroll that have been deemed Board members, and/or senior officials with significant financial responsibility during the period.	18	20

Note to the above table:

During the launch of the Bank, some senior officials with financial responsibility were employed on a temporary basis to help establish processes and controls. The Bank has now completed the process of recruiting for permanent staff to replace this interim resource.

Parliamentary accountability

Remote contingent liabilities not required to be disclosed under IAS 37 (audited)

The Bank has no contingent liabilities reported under IAS 37 (FY 2021-2022: £Nil), however, the Bank is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability or a contingent liability otherwise outside the scope of IAS 37, such as financial guarantees.

These disclosures are required by Managing Public Money and are related to Parliamentary accountability. All contingent liabilities must be reported to Parliament by a Departmental Minute so that Parliament has the opportunity to debate the merits of the item and to bind the government to honour the obligation. To meet the relevant disclosure requirements the Bank is required to provide a brief description of the nature of each contingent liability and where practical, an estimate of its financial effect.

A remote contingent liability represents the maximum potential exposure assuming trigger events occur, and the maximum exposure crystallises. If any of the contingent liabilities detailed below were to crystallise and the Bank was required to settle an obligation this would be achieved through the normal Supply Estimates process.

The Bank had no such remote contingent liabilities as at 31 March 2023 (31 March 2022: £Nil) and this continues to be the case at the date of signing the Annual Report and Accounts.

Information on loan and capital commitments can be found in *Note 13 Undrawn loan and capital commitments* on page 119.

Regularity (audited)

Throughout the financial year 2022-23 and in the period since, the Bank has complied with relevant guidelines on ensuring the propriety and regularity of its finances.

Losses and special payments (audited)

During the financial year 2022-23, the Bank had no losses and special payments (FY 2021-2022: £Nil).

Functional standards

Our corporate functions are aligned with agreed cross-functional standards, as appropriate and applicable, and drive a culture of compliance with legal requirements and the general good practice expected of an arms-length body of a government department.

Payment of suppliers

In May 2010, the government introduced a 5-day target for all suppliers to receive payment. During 2022-23, the Bank made 90% of all supplier payments within 5 days, in line with cross-government target of 90% (FY 2021-2022: 67%).

Auditor

The Annual Report and Accounts of the Bank are audited by the Comptroller and Auditor General ("C&AG"). Information on the audit fees can be found on *Note 4 Other operating expenditure* on page 115.

Statement of Directors’ and Accounting Officer’s responsibilities

Under the Companies Act 2006, the directors are responsible for preparing the Annual Report and the financial statements for each financial year. The directors have prepared the financial statements in accordance with UK adopted International Accounting Standards (“IAS”).

The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Bank. The financial statements comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the associated Notes to the Financial Statements, for the financial year.

In preparing the accounts, the directors have:

- observed the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, insofar as these do not conflict with Companies Act 2006 and the requirements of IAS;
- applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis;
- stated whether the applicable International Financial Reporting Standards (“IFRS”) have been followed, and disclosed and explained any material departures in the financial statements; and
- prepared the financial statements on a going concern basis.

HM Treasury has appointed the Chief Executive Officer of the Bank as the Accounting Officer for the Bank. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Bank’s assets, are set out in Managing Public Money published by HM Treasury.

In preparing the financial statements, as the Accounting Officer and on behalf of the Board, I have taken all steps that I should have taken to make myself aware of any relevant audit information and have ensured that the Bank’s auditors are aware of such relevant audit information that would have a material impact on the financial statements. I am not aware of any material information that the auditors are unaware of.

I also confirm, on behalf of the Board, that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Bank’s performance, business model and strategy.

This statement was approved by the Board of Directors on 23 October 2023 and was signed on its behalf by:

John Flint
Chief Executive Officer and Accounting Officer

23 October 2023

Independent auditor's report to the members of UK Infrastructure Bank Limited

Independent auditor's report to the members of UK Infrastructure Bank Limited and Houses of Parliament

Opinion on financial statements

I have audited the financial statements of UK Infrastructure Bank Limited for the year ended 31 March 2023 which comprise UK Infrastructure Bank Limited's**:**

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of UK Infrastructure Bank Limited's affairs as at 31 March 2023 and of the loss after taxation for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 '*Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)'*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of UK Infrastructure Bank Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	• Companies Act 2006
HM Treasury and related authorities	• Managing Public Money • Framework agreement between UK Infrastructure Bank Limited and HM Treasury

Conclusions relating to going concern

In auditing the financial statements, I have concluded that UK Infrastructure Bank Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included obtaining sufficient audit evidence to conclude that:

- The directors have a reasonable expectation that UK Infrastructure Bank Limited has adequate resources to continue in operational existence for the foreseeable future. UK Infrastructure Bank Limited has entered into a keep well agreement with the Commissioners of

HM Treasury stating it will provide sufficient funding to enable the entity to meet its liabilities as and when they fall due to a current funding cap limit of £22 billion; and

- The directors' assessment of the going concern basis of accounting and the resources available is appropriate in the circumstances.

I have no observations with respect to that assessment.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on UK Infrastructure Bank Limited'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 relation to UK Infrastructure Bank Limited's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my 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 auditor, 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 were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed significant risk of material misstatement due to fraud through management override of controls, where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considers to be significant to the financial statements is set out on page 66.

This is the first year in which an extended audit report has been provided for UK Infrastructure Bank Limited. In this year's audit there have the following changes to the risks identified compared to the prior year:

I have not identified a significant risk on the fair value on initial recognition for local authority loans in the current year as no new local authority loans were issued during 2022-23. New significant risks have been identified in respect of loans held at amortised cost and the disclosure of the fair value of private sector loans held at amortised cost as a result of UK Infrastructure Bank Limited's introduction of a new loan management tool and changes to the definition of a significant risk in the revised ISA (UK) 315.

Investments in loans
Description of risk
UK Infrastructure Bank Limited holds £289 million private sector and local authority loans (2021-22: £176 million) held at amortised cost on its Statement of Financial Position. These figures have increased from the prior year as UK Infrastructure Bank Limited has entered into new loan agreements during the year.
On initial recognition, management are required to assess each loan to determine the appropriate classification, initial measurement, and subsequent measurement. I therefore raised a significant risk that additions are not recognised appropriately. This risk is limited to private sector loans as there have not been any new local authority loans in the year.
During the year, UK Infrastructure Bank Limited, also implemented a new loan management tool, to automate its processes for measurement of loans held at amortised cost. This additional complexity further increased the risk of material misstatement. I therefore identified significant risks of material misstatement around the method and model used to calculate the amortised cost of all loans held at amortised cost.
For financial assets held at amortised cost and undrawn loan commitments, IFRS 9 requires measuring impairment based on Expected Credit Losses (ECLs) which must reflect forward looking information and assumptions which involve significant judgement by management. ECLs are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario. The new loan management tool also calculates expected credit losses. Further detail regarding critical accounting judgements and key

sources of estimation uncertainty with respect of ECLs can be found in Note 1.2 of the financial statements.

In relation to the ECLs recognised on private sector loans I identified significant risks of material misstatement around the method and model used to calculate the ECL, the data and assumptions used by management in the calculation of the ECLs; and the sufficiency and accuracy of disclosures around estimation uncertainty. ECLs relating to local authority loans are £nil (2021-22: £nil) as set out in Note 1.2.3 of the financial statements.

UK Infrastructure Bank Limited is required to disclose the fair value measurement of these loans. These are disclosed in Note 14 and are £251.5 million (2021-22: £166.5 million). The valuation is highly material to UK Infrastructure Bank Limited and, for private sector loans, requires significant assumptions around market expectations, increasing the risk of material misstatement in disclosures. For the private sector loans, I therefore recognised significant risks of material misstatement around the method and model used to calculate the fair value and the data and assumptions used by management in the calculation. Fair value disclosures for the local authority loans was outside of the scope of the significant risk as there is less inherent risk around the method and model used to calculate the fair value and the data and assumptions used by management in the calculation.

How the scope of my audit responded to the risk

I reviewed the design and implementation of controls over the significant risks related to the valuation of loans held at amortised cost, measurement of expected credit losses and fair value of private sector loans held at amortised cost.

I also performed the following procedures to address the significant risks of material misstatement in respect of the valuation of loans:

- Reviewed the accounting treatment for all new loans issued in 2022-23 and performed substantive testing of loan additions to confirm that they had occurred, been initially recognised at the correct value, classified correctly and in the right period.
- Reviewed the appropriateness of the method used to value loans held at amortised cost and tested the application of the model through my own reperformance.

To address the significant risks of material misstatement with respect to ECLs I engaged an external auditor's expert with relevant specialist skills to support my review of the models and estimates used to calculate ECLs. My experts reviewed the methodology applied by UK Infrastructure Bank Limited and tested the model by recalculating the ECLs to within a reasonable range. I reviewed the credit ratings and key assumptions including the probability of default and loss given default assigned to each of the loans and the assessment of whether there had been a significant increase in credit risk. I confirmed that UK Infrastructure Bank Limited had appropriately calculated the exposure at default applied in the ECL calculation.

In relation to ECLs, I reviewed the completeness, reasonableness and accuracy of disclosures relating to estimation uncertainty in note 16 to confirm they have been disclosed in line with the applicable financial reporting framework.

To address the significant risk of material misstatement with respect to the fair value of loans I engaged an external auditor's expert with relevant specialist skills to independently recalculate the fair value to within a reasonable range. This addressed all of the risks of material misstatement I had identified relating to the disclosure.

Key observations

Based on the procedures performed above, I have concluded that the transactions, balances and disclosures associated with the investment in loans within the financial statements are not materially misstated.

Investments in funds

Description of risk

UK Infrastructure Bank Limited holds equity investments in six Private Fund Limited Partnerships which are held at fair value through profit and loss totalling £308.7 million (2021-22: £170.1 million). UK Infrastructure Bank Limited manages these investments through fund managers. The fair value is determined as its share of the net assets of the limited partnership (which are themselves measured at fair value).

There is increased inherent risk as the underlying assets are hard to value (level 3 in the fair value hierarchy), the audited accounts of the funds are not coterminous to the year-end and UK Infrastructure Bank Limited has invested in new funds during the financial year. Furthermore, the value of the investments (note 14) are highly material to UK Infrastructure Bank Limited, increasing the risk of material misstatement.

I recognised significant risks of material misstatement in relation to UK Infrastructure Bank Limited recognising assets associated with contracts it is not party to, the presentation and classification of balances and related gains or losses in the financial statements, the appropriate recognition of additions and the measurement of investments in accordance with the financial reporting framework.

How the scope of my audit responded to the risk

I have assessed the design and implementation of controls around the valuation of the investments in funds held by UK Infrastructure Bank Limited.

I also performed the following procedures to address the significant risks of material misstatement:

I reviewed the presentation and classification of the investments in funds and evaluated evidence to confirm the existence of the investments and UK Infrastructure Bank's rights in respect of them. I reviewed evidence provided by the fund managers to support the valuation of the investments including assessing movements in fair value from December 2022 to March 2023 and beyond to June 2023.

I substantively tested a sample of additions to confirm advances to funds have occurred, have been correctly classified, appropriately valued on initial recognition and have been recognised in the correct period. This included a review of the new fund contracts to determine that they are presented, classified and recognised appropriately.

Key observations

Based on the procedures performed above, I have concluded that the transactions, balances and disclosures associated with the investments in funds within the financial statements are not materially misstated.

Deferred tax

Description of risk

Deferred tax arises in UK Infrastructure Bank Limited's financial statements on unrealised fair value gains relating to the investments in funds, as there are temporary timing differences arising between these gains as shown in the financial statements, and when they are included in the tax computation. The Statement of Financial position shows a net deferred tax asset at 31 March 2023 of £2.6 million (2021-22: deferred tax liability of £11.2 million). This is comprised of a deferred tax liability of £5.3 million (2021-22: £11.2 million) offset by a deferred tax asset of £7.8 million (2021-22: nil) which UK Infrastructure Bank Limited recognises as it considers that is probable that future taxable profit will be available for the asset to be utilised against. In 2023 assumptions around the recognition of deferred tax are significant.

I recognised significant risks of material misstatement that deferred tax has been incorrectly recognised and valued in the financial statements or is incomplete and that disclosures relating to deferred tax are incomplete, have been recognised when not appropriate, or are misstated.

How the scope of my audit responded to the risk

I assessed the design and implementation of controls over the process estimating and recognising deferred tax , including UK Infrastructure Bank Limited's controls over review and challenge of its management expert.

I engaged an auditor's expert to review the deferred tax computation for reasonableness and to assess that tax judgements applied in the recognition of deferred tax are appropriate. I substantively tested the deferred tax estimate and obtained evidence to confirm that deferred tax assets and liabilities are complete. I reviewed the accounting policies and disclosures to confirm that these are fairly stated and are materially complete as well as the business plan profit forecasts to confirm that the assumption of future taxable profits was reasonable.

Key observations

Based on the procedures performed above, I have concluded that the transactions, balances and disclosures associated with deferred tax within the financial statements are not materially misstated.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for UK Infrastructure Bank Limited's financial statements as a whole as follows:

	Audited Entity
Materiality	£5,600,000
Basis for determining materiality	1% of forecast net assets of £565,659,000 (2021-22: 1% of forecast net assets £591,880,000)
Rationale for the benchmark applied	I consider net assets to be the area of principal interest for users as this is the key driver of UK Infrastructure Bank Limited's financial statements. This is because its primary purpose is to increase infrastructure investment across the United Kingdom

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2022-23 audit (2021-22: 65%). In determining performance materiality, I have considered the uncorrected misstatements identified in the previous period. Performance materiality is higher in the current year as in 2021-22 the nature and scope of UK Infrastructure Bank Limited’s activities widened and so performance materiality was lower in line with a new engagement.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the disclosure of Executive Directors’ Remuneration. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £100,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

There are no unadjusted audit differences that have been reported to the Audit and Risk Committee.

Audit scope

The scope of my audit was determined by obtaining an understanding of UK Infrastructure Bank Limited and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor’s report thereon. The directors are responsible for the other information.

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual.

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

- the information given in the Performance and Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Performance and Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of UK Infrastructure Bank Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Strategic Report or the Directors’ Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration and staff reports to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director’s remuneration specified by law are not made.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to UK Infrastructure Bank Limited’s compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 54;
- Directors’ explanation as to its assessment of the entity’s prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- Directors' statement on fair, balanced and understandable set out on page 86;
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 40;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 66; and
- The section describing the work of the audit committee set out on page 65.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors’ and Accounting Officers’ responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within UK Infrastructure Bank Limited from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report in accordance with the Companies Act 2006
- preparing the Remuneration and Staff Report, which is included in the Annual Report, in accordance with the Government Financial Reporting Manual; and
- assessing UK Infrastructure Bank Limited’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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (“ISAs (UK)”).

My 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 a report that includes my 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of UK Infrastructure Bank Limited's accounting policies, key performance indicators and performance incentives.
- inquired of management, UK Infrastructure Bank Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to UK Infrastructure Bank Limited's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including UK Infrastructure Bank Limited's controls relating to UK Infrastructure Bank Limited's compliance with the Companies Act 2006, Tax legislation and Managing Public Money;
- inquired of management, UK Infrastructure Bank Limited's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations; and
    - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team, and the relevant external specialists, including tax and credit risk experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within UK Infrastructure Bank Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of UK Infrastructure Bank Limited's framework of authority and other legal and regulatory frameworks in which UK Infrastructure Bank Limited operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of UK Infrastructure Bank Limited. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, the Financial Services and Markets Act 2000 (Exemption) (Amendment) Order 2021, employment law, tax legislation and the UK Infrastructure Bank Act 2023.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and

- In addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Stephen Young (Senior Statutory Auditor)
23 October 2023

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements for the year ended 31 March 2023

Financial statements

Statement of Comprehensive Income

for the period ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Income			
Interest income	2	10,137	1,879
Interest expense	12	(756)	(32)
Net interest income		**9,381**	**1,847**
Fees and commission income		1,495	384
Changes in fair value of assets held at FVTPL	8	11,685	123,010
Net operating income before change in expected credit losses		**22,561**	**125,241**
Change in expected credit losses	16	(8,195)	(3,196)
Net operating income		**14,366**	**122,045**
Expenditure			
Staff costs	3	(26,852)	(8,884)
Depreciation and amortisation		(977)	(435)
Finance costs on lease liabilities		(28)	(15)
Other operating expenditure	4	(7,962)	(2,912)
Total expenditure		**(35,819)**	**(12,246)**
Profit / (Loss) before taxation		**(21,453)**	**109,799**
Taxation	5	15,501	(5,683)
Profit / (loss) after taxation		**(5,952)**	**104,116**
Net comprehensive income for the year		**(5,952)**	**104,116**

The Notes on pages 102 to 128 form part of these financial statements.

Statement of Financial Position
as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Assets			
Cash and cash equivalents	6	54,770	243,469
Trade and other receivables	7	4,637	922
Assets held at FVTPL	8	308,728	170,075
Assets held at amortised cost	9	289,608	175,665
Property, plant and equipment		1,414	528
Right-of-use assets		2,332	1,509
Deferred tax assets	5	2,553	0
Total assets		**664,042**	**592,168**
Liabilities			
Trade and other payables	10	(12,529)	(3,836)
Lease liabilities		(2,173)	(1,469)
Loan commitment financial liabilities	11	(5,817)	(2,274)
Loan amounts owed to Shareholder	12	(50,171)	(10,012)
Provisions		(81)	(65)
Deferred tax liabilities	5	0	(11,172)
Total liabilities		**(70,771)**	**(28,828)**
Net assets		**593,271**	**563,340**
Equity			
Share capital	17	274,200	274,200
Capital contribution reserve	SoCE	156,075	156,075
Retained earnings	SoCE	162,996	133,065
Total equity		**593,271**	**563,340**

The Notes on pages 102 to 128 form part of these financial statements.

The financial statements were authorised for issue on 23 October 2023. They were approved by the Board on 23 October 2023 and signed on its behalf by:

John Flint
Accounting Officer
23 October 2023

Statement of Changes in Equity
for the period ended 31 March 2023

	Share capital £000	Capital Contribution Reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2021	**-**	**145,596**	**19,375**	**164,971**
Net profit / (loss) after tax	-	-	104,116	104,116
Issue of new ordinary shares	274,200	-	-	274,200
Capital contribution	-	10,479	-	10,479
Funding from HM Treasury	-	-	9,574	9,574
Balance at 31 March 2022	**274,200**	**156,075**	**133,065**	**563,340**
Net profit / (loss) after tax	-	-	(5,952)	(5,952)
Issue of new ordinary shares	-	-	-	-
Capital contribution	-	-	-	-
Funding from HM Treasury	-	-	35,883	35,883
Balance at 31 March 2023	**274,200**	**156,075**	**162,996**	**593,271**

The Notes on pages 102 to 128 form part of these financial statements.

Statement of Cash Flows

for the period ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Cash flows from operating activities			
Profit / (loss) before taxation	SOCI	(21,453)	109,799
Adjustments for:			
Depreciation and amortisation		977	435
Change in trade and other receivables	7	(1,939)	3,550
Change in accruals, provisions and deferred income	10	8,747	3,288
Change in interest payable on financing arrangements	12	756	12
Changes in fair value of assets held at FVTPL	8	(11,685)	(123,010)
Expected credit loss on amortised cost assets	16	8,195	3,196
Interest income	2	(10,137)	(1,544)
Interest payable on corporation tax		-	21
Cash used in operations		**(26,539)**	**(4,253)**
Purchase of assets held at FVTPL	8	(140,065)	(27,785)
Repayments of assets held at FVTPL	8	2,500	142,749
Equalisation receipts from assets at FVTPL	8	10,597	-
Origination of assets held at amortised cost	9	(167,398)	(175,042)
Interest received	2,9	8,297	-
Repayment of assets held at amortised cost	9	43,268	-
Deal fees for assets held at amortised cost	9	7,373	-
Right of use assets		(2)	-
Payment of corporation tax		-	(2,102)
Net cash used in operating activities		**(261,969)**	**(66,433)**
Cash flows from investing activities			
Purchase of property and equipment		(1,278)	(106)
Disposal of property and equipment		75	-
Net cash used in investing activities		**(1,203)**	**(106)**
Cash flows from financing activities			
Capital contribution	SoCE	-	10,479
Issuance of shares	SoCE	-	274,200
Payment of lease liabilities		(813)	(473)
Loan from HM Treasury	12	125,000	10,000
Repayment of amount owed to HM Treasury	12	(85,000)	(141)
Repayment of interest to HMT	12	(597)	-
Funding from HM Treasury	SoCE	35,883	9,574
Net cash from financing activities		**74,473**	**303,639**
Net increase in cash and cash equivalents		**(188,699)**	**237,100**
Cash and cash equivalents at beginning of year	SoFP	243,469	6,369
Cash and cash equivalents at end of year	SoFP	**54,770**	**243,469**

The Notes on pages 102 to 128 form part of these financial statements.

Notes to the financial statements

Notes to the financial statements

1. Accounting policies

UK Infrastructure Bank Limited ("the Bank") is incorporated in the United Kingdom under The Companies Act 2006. The address of the registered office is One Embankment, Neville Street, Leeds, England, LS1 4DW.

1.1 Significant accounting policies

1.1.1 Basis of preparation

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as appropriate, in relation to the financial statements and selected disclosures within the Annual Report only, the Government Financial Reporting Manual and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. The Bank's financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£000).

1.1.2 Accounting convention

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at amortised cost and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1.1.3 Going concern

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The Bank has entered into a keep well agreement with the Commissioners of HM Treasury stating it will provide sufficient funding to enable the Bank to meet its liabilities as and when they fall due to a current funding cap limit of £22 billion. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.1.4 IFRS in issue but not yet effective

The Bank has not early-adopted any new or amended standards in preparing these financial statements. The only new standard which came into effect during the Financial Year, and which is relevant to the Bank, is:

IFRS 17 'Insurance Contracts' was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023 (subject to UK endorsement) and applies to insurance contracts within the scope of the standard. This standard will not have a material impact on the Bank's financial statements, as the Bank does not have any insurance contracts. The Bank will consider the impact of IFRS 17 in relation to any Financial Guarantees when issued.

1.1.5 Interest income

Interest income and expense on all amortised cost financial instruments are recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts future contractual cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses ("ECLs"). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECLs.

The calculation of the effective interest rate includes transaction costs, and premiums or discounts that are integral to the effective interest rate, such as origination fees.

Where transaction costs are received in advance of a loan being drawn down, the fees are deferred until a drawdown occurs. Such fees are held on the Statement of Financial Position as “Trade and other Payables”. Once a drawdown occurs, the fees are subsequently amortised using the effective interest method.

When the Bank revises the estimates of future cashflows, the carrying amount of the respective financial instrument is adjusted to reflect the new estimate. Any changes are recognised in the Statement of Comprehensive Income.

1.1.6 Fee and commission income

The Bank may receive facility fees as part of its financing activities; these facility fees are treated as income which is integral to the financial instrument and so included in the effective interest rate.

The Bank administers HM Treasury’s UK Guarantee Scheme and receives an agency fee for this work. This fee is accrued and shown separately in the Statement of Comprehensive Income.

1.1.7 Staff costs

The Bank recognises secondee costs and contractor costs within staff costs as they are incurred. Secondee costs include the standard rate of Value Added Tax (“VAT”). Contractor costs are recognised at their invoice cost, including VAT.

1.1.8 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages, and employment-related payments (such as National Insurance) are recognised in the period in which the service is received from employees. The cost of annual leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

Seconded employees are covered by either the provisions of the Principal Civil Service Pension Scheme (“PCSPS”) or the Civil Servants and others Pension Scheme (“CSOPS” known as “Alpha”), full details of which can be found in the “Remuneration and Staff Report" on pages 79 and 80.

The Bank provides other permanent employees, who were not enrolled into the Civil Service pension scheme, with a pension from the Bank’s defined contributions scheme. The cost to the Bank is taken as equal to the contributions payable to the scheme for the accounting period.

There are no pension costs incurred for contractors.

1.1.9 Other operating expenditure

Expenditure on other operating costs is recognised on an accruals basis. Examples of such costs are professional fees and utilities.

1.1.10 Taxation

Taxation comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income (“OCI”).

Current tax

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The Bank’s current tax is calculated using tax rates that are enacted or substantively enacted at the reporting date. The Limited Partnerships in which the Bank invests are transparent for tax purposes and so current tax includes the tax calculated on the Bank’s share of profit / losses allocated from these Limited Partnerships. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities, and where the deferred tax balances relate to the same taxation authority.

Value Added Tax

The Bank received notification of being VAT registered in June 2023, with the registration backdated to 1 March 2022. Input VAT that relates to exempt supplies on purchases are not recoverable and are therefore charged to the statement of comprehensive income included under the heading relevant to the type of expenditure. Input VAT that relates to taxable supplies including that which relates to the reclaimable pre-registration period that has not been reclaimed from HMRC yet is shown within trade and other receivables.

1.1.11 Financial instruments

Classification and measurement of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instrument transactions are accounted for at settlement date.

a) Classification of financial assets

Classification of financial assets is determined by the objectives of the business model under which the assets are managed, and the contractual cash flow characteristics of those assets. The business model may be considered to be one of holding the asset to collect the cash flows arising; holding the asset to collect the cash flows arising or to sell it; or holding the asset to sell it. The contractual cash flow characteristics of an asset may be considered to be ‘solely payments of principal and interest’ (“SPPI”) on the principal amount outstanding or not to be SPPI.

Business Model: the Bank holds its financial assets in a hold-to-collect business model as there is no intention to sell or transfer any of the assets. Furthermore, the Bank assesses and manages its financial risks (i.e., market, liquidity and credit risks) on a long-term basis not as a trading portfolio.

Contractual cash flows: financial assets may be measured at amortised cost, fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”). The measurement classifications of financial assets are as follows:

	SPPI	Not SPPI
Hold to collect	Amortised cost	FVTPL
Hold to collect and sell	FVOCI	FVTPL
Hold to sell	FVTPL	FVTPL

The Bank has assessed that the terms of the loan assets meet the SPPI test and therefore they are classified as measured at amortised cost.

The Bank holds investments in Private Fund Limited Partnerships (“the Funds”) which are recognised and measured at FVTPL.

The bank holds cash and cash equivalents at amortised cost.

b) Measurement of financial assets

i) Equity instruments held at FVTPL

Equity instruments held at FVTPL are recognised initially at fair value which is the transaction price (i.e. cost). FVTPL assets are subsequently carried at fair value. Movements in fair value are reported to the Statement of Comprehensive Income. As these are assets measured at FVTPL, no separate impairment assessment is required.

ii) Debt instruments held at amortised cost

Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flows and where those cash flows represent SPPI are measured at amortised cost. Cash flows are considered to represent SPPI where they are consistent with a basic lending arrangement. Where the contractual cash flows introduce exposures to risk or volatility unrelated to a basic lending arrangement, such as from changes in equity prices or linked to another party's credit risk, the cash flows are not considered to be SPPI.

Financial assets and liabilities measured at amortised cost are initially recognised at fair value, plus or minus transaction costs directly attributable to the origination or issue of the financial instrument.

Subsequent measurement is at amortised cost, using the effective interest rate method. Amortised cost is the amount at which a financial instrument is initially recognised, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method. The carrying amount of these assets is adjusted by an expected credit loss allowance.

The effective interest rate exactly discounts estimated future cash payments or receipts, including fees that are an integral part of the overall return, over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for ECLs) or to the amortised cost of the financial liability.

Where we have received fees on loan products which have yet to drawdown, we recognise these amounts as deferred fees on the Statement of Financial Position. Once a drawdown takes place, the deferred fees are then discounted as part of the future cashflow impacting discount rate.

Some of the Bank's lending may, from time to time, include features which amend cash flows in the event that certain ESG criteria are met by the borrower. With the lack of clear guidance within the Standards, IASB's Exposure Draft: Amendments to the Classification and Measurement of Financial Instruments has been referred to in formulating the Policy. Analysing the ESG features, the Bank assesses whether contractually specified changes in cash flows following the occurrence (or non-occurrence) of any contingent event would give rise to cash flows that are solely payments of principal and interest on the principal outstanding. This assessment is done irrespective of the probability of the contingent event occurring. For a change in contractual cash flows to be consistent with a basic lending arrangement, the occurrence (or non-occurrence) of the contingent event must be specific to the debtor. The occurrence of the contingent event is specific to the debtor if it depends on the debtor achieving a contractually specified target, even if the same target is included in other contracts for other debtors. However, the resulting contractual cash flows must represent neither an investment in the debtor nor an exposure to the performance of specific assets.

c) Trade and other receivables

Trade and other receivables held by the Bank do not have a significant financing component and are initially measured at their transaction price. They are subsequently measured at amortised cost.

d) Impairment of financial assets and loan commitments

i) Provisioning

IFRS 9 uses a forward-looking ECL model for impairment provisioning. The ECL model applies to debt instruments accounted for at amortised cost, and loan commitments. IFRS 9 requires that expected losses are calculated using a range of forward-looking economic scenarios, weighted by the estimated probability of each scenario.

At initial recognition, an impairment allowance is required for ECL resulting from default events expected within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, allowance is required for ECLs resulting from default events expected over the estimated life of the financial instrument ("lifetime ECL").

IFRS 9 requires the financial asset to be allocated to one of the following three 'stages':

Stage 1 – Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on Stage 1 financial assets is calculated on the gross carrying amount of the financial asset.

Stage 2 – Financial assets which have experienced a significant increase in credit risk since initial recognition. For financial assets in Stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on Stage 2 financial assets is calculated on the gross carrying amount of the financial asset: and

Stage 3 – Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like Stage 2, recognition of a lifetime ECL impairment allowance is required. However, interest income on Stage 3 financial assets is calculated on the financial asset balance net of the impairment allowance.

For trade receivables that are considered short-term and do not contain a significant financing component, the Bank's policy is to apply the simplified approach permitted by IFRS 9 which is a provision matrix based on number of days past due.

ii) Significant increase in credit risk

Under IFRS 9, a possible indicator of an increase in credit risk is the increasing (or worsening) of the risk-rating (i.e., increase in probability of default) occurring since initial recognition. However, good judgement is required. Both quantitative and qualitative criteria are considered to determine a significant increase in credit risk and whether an asset should move from Stage 1 to Stage 2.

In terms of the quantitative criteria, the trigger is when the contractual payments are more than 30 days past due. Additionally, the qualitative criteria, such as internal and external rating downgrades, actual or expected forbearance or restructuring, actual or expected significant adverse change in operating results of the borrower, early signs of cashflow/liquidity problems, significant adverse changes in business, financial and/or economic conditions in which the borrower operates and an asset being transferred onto the Watchlist (see definition in *Note 16.3 Credit Risk* on pages 122 to 124), taken collectively, may constitute a stage transfer trigger.

IFRS 9 allows consideration that a financial instrument is not necessarily subject to a significant increase in credit risk if it has been categorised as having a "low credit risk" at the reporting date (i.e., an "investment grade" rating might be an indicator for a low credit risk). If an asset is categorised at low credit risk or as an investment grade, rated at first recognition, Stage 1 is applied using the 12-month expected credit loss. If there is a significant increase in credit risk, this asset is considered as a Stage 2 and the lifetime expected credit loss is calculated using lifetime PD estimation.

If assets are defaulted exposures, namely, 90-days past due or official default, the lifetime expected credit loss is also calculated and there is no need to estimate PD, since this is equal to 100%.

If a significant increase in credit risk that had taken place since initial recognition has reversed by a subsequent reporting period (i.e., at the reporting date credit risk has not significantly increased since initial recognition) then the loss allowance reverts to 12-month ECL.

If the contractual cash flows on a financial asset have been negotiated or modified and the financial asset was not derecognised, an assessment will be carried out to determine whether there has been a significant increase in the credit risk of the financial instrument.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that at a minimum, all payments must be up-to-date, the credit risk deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments. If an asset was to return to Stage 1, management would take consideration of minimum cure period requirements.

iii) Definition of Default

By definition, a lending instrument can experience a loss only if there has been a default. As required under IFRS 9, the Bank applies a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and also considers qualitative indicators (for example, financial covenants) when appropriate. Conceptually, default occurs when a debtor is unable to meet the legal obligation of debt repayment. A default is considered to have occurred with regards to a particular borrower when one or more of the following events have taken place: (a) It is determined that the borrower is unlikely to pay its debt obligations (principal, interest, or fees) in full; (b) A credit loss event associated with any obligation of the borrower, such as charge-off, specific provision, or distressed restructuring involving the forgiveness or postponement of principal, interest, or fees; (c) The borrower is past due more than 90 days on any credit obligation; or, (d) The borrower has filed for bankruptcy or similar protection from creditors.

The probability of default ("PD") for each loan or credit facility is one of the key assumptions used in the calculation of the expected credit loss under IFRS 9. The estimation of PDs is based on the internally developed credit risk rating methodology, which is applied where the externally assigned credit risk rating is not available.

iv) Credit-impaired financial assets

The Stage 3 category contains credit-impaired financial assets. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, which would indicate the asset meets the definition of default.

Evidence that a financial asset is credit-impaired include observable data about the following types of events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- the Bank, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that it would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the cessation of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In other words, financial assets are categorised in Stage 3 when certain default events have occurred and that evidence can be observed and, therefore, they are already considered as credit impaired.

At present, the Bank has no loans in Stage 2 or Stage 3. Management is working on policies to determine how a loan will move between stages in line with the application of an appropriate cure period.

v) Methodology for measuring ECLs

The allowance for ECLs is calculated using three main components: a probability of default ("PD"), a loss given default ("LGD") and the exposure at default ("EAD"). For accounting purposes, the 12-month PDs represent the probability of a default occurring over the next 12 months or less, while the lifetime PDs represent the probability of a default occurring over the lifetime of the financial instruments, based on conditions existing at the balance sheet date and expected future economic conditions that affect credit risk.

The Bank has determined its PDs using forward-looking economic scenarios and associated probability weightings. The model has been developed to have 3 plausible macroeconomic scenarios covering baseline, downside and upside.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money and is discounted using the effective interest rate.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility. The expected drawdown of the committed facility is based on management's expectation when there is no contractual drawdown profile.

The ECL is calculated by multiplying the PD (12-month or lifetime depending on the staging of the loan), LGD and EAD. The measurement of ECLs also takes into account all reasonable and supportable information, including forward looking economic scenarios to calculate a probability weighted forward looking estimate.

The Bank may also provide loan facilities with a drawdown period over several years giving rise to an unrecognised loan commitment. An ECL is recognised against the expected EAD, which is calculated as the contractual cashflows expected in the next 12 months for Stage 1 assets, and contractual lifetime cashflows for Stage 2 and Stage 3 assets, (refer to section d)i) on page 106) for further details on the staging of assets. This ECL is recognised as a separate financial liability in the Statement of Financial Position.

vi) Write offs

A loan is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery (as a result of the customer's insolvency, ceasing to trade or other reason) and the amount of the loss has been determined. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in comprehensive income.

e) Financial liabilities and equity instruments

The Bank currently only issues debt or equity to its sole Shareholder, HM Treasury.

The debt instruments can be a term loan or a revolving credit facility and, as the instruments represent a contractual arrangement to deliver cash to HM Treasury, they are classified as financial liabilities.

Financial liabilities are initially recognised at fair value and held at amortised cost with interest expense recognised under the EIR method. There are no fees or other transaction costs incurred when issuing debt instruments.

The equity instruments issued do not contain a contractual obligation to deliver cash to HM Treasury as there is no specified dividend payment schedule and the shares are non-redeemable. The shares issued may be paid in full or partly paid or unpaid. For shares that are unpaid or partly paid, the amount due is recognised as an intercompany receivable by the Bank that is callable on demand.

The equity instruments are initially recognised as the proceeds received. The Bank does not incur any material fees or other transaction costs when issuing shares.

The Bank may also provide loan facilities with a drawdown period over several years so giving rise to an unrecognised loan commitment. An ECL is recognised against the expected EAD, which is calculated as the contractual cashflows expected in the next 12 months. This ECL is recognised as a separate financial liability in the Statement of Financial Position.

f) De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. A write-off also constitutes a derecognition event.

Financial liabilities are derecognised if the Bank's obligations specified in the contract expire, are discharged or cancelled.

g) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank's financial assets held at FVTPL represent investments in Private Fund Limited Partnerships. Market quotes are not available for these assets, so fair value is determined based on the net assets of the Limited Partnerships. Share of net assets is a reasonable proxy for fair value because the underlying assets of each of the Limited Partnerships are held at fair value. Where applicable, the net asset value is adjusted to reflect the Bank's proportion of the total net asset value and / or any amounts due from debtors.

Detail of fair value disclosures, including fair value hierarchy can be found in *Note 14 Fair value measurements* on pages 119 and 120.

1.1.12 Cash and cash equivalents

Cash and cash equivalents are initially recognised at fair value and subsequently held at amortised cost, and comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

1.1.13 Funding from the Shareholder

The loan with HM Treasury, the Bank's Shareholder, is classified as a financial liability at amortised cost and measured in accordance with the guidance in *Note 1.1.11e*. See also *Note 12 Loan amounts owed to Shareholder* on page 118 for specific details.

In addition to the equity funding via share issuance mentioned in *Note 1.1.11e)*, the Bank also receives funding from HM Treasury for operating costs, which is credited to the Retained Earnings in the year in which it is received.

The funding does not meet the definition of a grant in IAS 20 as there are no substantive conditions attached to the funding. Rather, HM Treasury has relieved the Bank from the intercompany obligation. As a 3rd party would not relieve such an obligation, the transaction represents HM Treasury acting in its capacity as the controlling Shareholder and the funding is treated as financing from a controlling party.

Where the entity receives direct cash injections from its sole shareholder, these are recognised as cash capital contributions in shareholder's equity.

Prior to 13 September 2021, the entity was funded from direct cash injections from its sole shareholder that were recognised as cash capital contributions in shareholder's equity

1.1.14 Contingent liabilities and assets

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the Statement of Financial Position but are disclosed in the Notes to the Financial Statements.

A contingent liability is either: a possible obligation arising from past events, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or: it is a present obligation arising from past events but is not recognised because either an outflow of economic benefits is not likely to settle the obligation or the amount of the obligation cannot be reliably estimated.

A contingent asset is an asset whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are not recognised until the realisation of income is virtually certain. Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

1.1.15 Leases

Under IFRS 16, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. A corresponding right-of-use asset is recognised as the initial measurement of the lease liability.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect lease payments made and remeasuring carrying amount to reflect any reassessment of lease payments.

The right of use asset is subsequently measured applying the cost model according to which right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurements of lease liability.

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

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified; and
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either: (i) the Bank has the right to operate the asset; or (ii) the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

1.1.16 Capitalisation of property, plant and equipment

Property, plant and equipment assets are initially recognised at cost. The threshold for capitalising a non-current asset is £5,000. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

When an asset is disposed of, any gain or loss on disposal is calculated as the difference between the disposal proceeds and the carrying value of the asset and is recognised in profit or loss.

The charge for depreciation or amortisation is calculated to write down the cost of property, plant and equipment to their estimated residual values by equal instalments over their estimated useful lives, as set out in the following table:

	Years
Right of use property assets	Life of lease
Plant and machinery	3 to 10
Furniture, fixtures and fittings	5 to 10
IT and other non-IT equipment	3 to 10
Software	3 to 10

1.1.17 Equity and reserves

The total Equity balance is comprised of share capital, capital contribution reserve and retained earnings, as described below:

- Share capital represents the nominal (par) value of shares that have been issued;
- Capital Contribution Reserve represents amounts funded irrevocably by the Bank's sole Shareholder, HM Treasury; and
- Retained earnings represents cumulative movements in the Statement of Comprehensive Income.

1.2 Critical accounting judgements and key sources of estimation uncertainty

1.2.1 Derecognition of financial assets

During 2021-22, the Bank made a loan commitment of £9.4 million on behalf of HM Treasury to support the Countesswells Project under the UK Guarantees Scheme. This loan was fully drawn during 2021-22. See *Note 19 Related party transactions* on page 127 for detail.

The Bank applied judgement when evaluating whether there was (i) an initial asset to be recognised, and (ii) whether the existence of a separate contract resulted in the derecognition of the initial asset. When the Bank entered into the two separate loan agreements, one with the Speyside Project and one with Countesswells Project, it created unconditional rights to receive cash. This resulted in two loan assets being recognised in the Bank's accounts. The Bank also entered into two other contracts which created an obligation to transfer the cashflows it received from the loan agreements with the Speyside Project and Countesswells Project, to HM Treasury. Assessing the risks and rewards associated with these contracts, the Bank concluded that it retained the legal right to the cashflows but had transferred the risks and rewards of ownership, including credit risk, to HM Treasury. As a result, the Bank has derecognised the initial asset and assessed that a provision for ECLs on undrawn commitments is not required.

1.2.2 The assessment of ECL impairment allowance against amortised cost loans

The calculation of ECL impairment allowance is inherently uncertain and requires the Bank to make a number of assumptions and estimates.

The significant increase in credit risk is assessed using the combination of quantitative and qualitative criteria as described in *Note 1.1.11d)ii) Significant increase in credit risk* on pages 106 and 107.

The ECL is calculated taking into account forward-looking macroeconomic scenarios based on the third-party base case forecast of Consumer Price Index Growth, Gross Domestic Product and interest rates. Four scenarios; baseline, downside, severe downside and upside, are weighted and developed internally on the basis of the externally provided data. At present, the ECL model uses a judgement-based approach to estimate the impact of the macroeconomic parameters on the PD values.

The sensitivity analysis for ECL measurement can be found in *Note 16.3 Credit risk* on pages 122 to 124.

1.2.3 Local authority lending

The Bank is permitted by HM Treasury to lend to local authorities at Gilts + 60bps ("UK Infrastructure Bank Rate" or "Rate") via the Public Works Loan Board ("PWLB") and then subsequently have the loan novated to the Bank. The utilisation of the UK Infrastructure Bank Rate is dependent on the three parties: the Bank, HM Treasury and PWLB, agreeing to the novation before the initial lending is transacted. The Bank is assessed to be the principal in the initial transaction with PWLB acting as the Bank's agent. The principal market for assessing the fair value of the lending transaction is the market created by PWLB; the Bank assesses the rate it lends at is a market rate consistent with PWLB's rate.

The prepayment term is the standard PWLB clause in the Debt Management Office Circular 163, which states a loan cannot be repaid if it has been outstanding for less than one year or is a fixed rate loan which has less than a year to maturity. The amount being repaid represents the present value of the remaining payments of principal and interest. When a fixed rate loan is prematurely repaid, the discount rate is the rate in the 'premature repayment' set of rates in force when the repayment is agreed for a notional loan for a period equal to the remaining term of, and repayable by the same method as, the loan being repaid prematurely.

The Bank determined the classification of the debt asset by assessing whether the terms of the instrument met the SPPI test. The key areas of judgement were the initial lending rate and the prepayment clause. The initial lending rate is deemed to be a market rate and the prepayment rate is considered to be reasonable compensation. As such, the SPPI test is met; the lending to local authorities is initially recognised at fair value with subsequent measurement at amortised cost.

As per the Bank's internal risk rating policy, UK Sovereign Risk is classified as category D for the purposes of Loss Given Default ("LGD"). This category is applicable to UK local authorities, and, therefore, no loss is anticipated. As a result, there is no LGD applicable to local authorities as the definitive counterparty risk and ultimate recourse for all local authorities is the UK Government. Given this, the Bank recognises a nil ECL against local authority lending.

1.2.4 Fair value of assets held at FVTPL

The Bank's financial assets held at FVTPL represent investments in Private Fund Limited Partnerships. Market quotes are not available for these assets, so fair value is the net assets of the Limited Partnerships less the fees owed to the General Partner ("GP"). Share of net assets less the GP's fees is a reasonable proxy for fair value because the underlying assets of each Limited Partnership are held at fair value. See *Note 14 Fair Value Measurements* on pages 119 and 120 for sensitivity analysis of investment valuation assumptions.

All fund managers value the underlying assets in accordance with the International Private Equity and Venture Capital Guidelines. These guidelines provide conceptual methodologies to utilise when valuing unlisted investments. Broadly, the fair value methodologies applied to the Bank's investments can be summarised as follows:

- Earnings multiples – earnings multiples are applied to the earnings of the underlying company to determine the enterprise value. Multiples are selected by considering comparable listed companies' current performance, relevant market transaction data and exit expectations. Multiples may be discounted to factor in differences in characteristics to ensure they remain as relevant as possible to the specific company. Earnings before interest, tax, depreciation and amortisation ("EBITDA") is typically used for earnings and this may be adjusted for non-recurring items. This methodology is typically used for investments which are profitable and which have a sufficient pool of comparable companies or market transactions for which multiples can be obtained.
- Discounted cash flow ("DCF") – the valuation is derived by discounting long-term cash flows at a rate which is benchmarked against market data or adjusted from the rate at the initial investment based on changes in the risk profile of the investment. This methodology is typically used for investments which have long-term stable cash flows, typically observed in infrastructure investments, or where DCF is more appropriate than Earnings multiples in the short-term.
- Cost – when there is high uncertainty over future cashflows, coupled with a lack of relevant market transactions, assets may continue to be held at cost and adjusted for future corporate financing rounds. This is often the approach taken for early investment in start-up businesses particularly in the Venture Capital market.

Given the stage of the underlying investments, fund managers largely apply the DCF methodology to value the underlying investments. Valuation outcomes from this methodology are compared with relevant market data, earnings multiple valuations and recent investment transaction data to ensure there is consistency in the outcome. Fund managers consider liquidity, credit and market risk factors and adjust the valuation model as deemed necessary. Key estimates and assumptions used in the valuations are: projected EBITDA at exit date, discount rates and earnings multiples. In limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient information is available to assess a fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

The Bank's fund investments are held as equity instruments by exception as they meet all the features and conditions in 16C and 16D of IAS 32. Specifically, they include the contractual obligation to deliver a pro-rata share of funds' assets only on liquidation. The obligation arises because the liquidation is certain and outside of the control of the funds given these are limited life entities. These investments further meet the criteria of the standard as they are the class of instruments subordinate to all other classes of instruments and have the identical contractual obligation as the other instruments within this class for the Funds to deliver a pro rata share of its net assets on liquidation. Additionally, the Funds have no other financial instrument or contract for which total cash flows are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity. Neither do they have any instruments which have the effect of substantially restricting of fixing the residual returns to the instrument holders. As these fund investments are classified as equity by exception, the election to present changes in the fair value of equity instruments in OCI in accordance with IFRS 9 5.7.5 is not available. Therefore the bank's fund investments are held at fair value through profit or loss.

1.2.5 Deferred Tax

The Bank recognises deferred tax in relation to unrealised fair value gains on its investments in equity funds. This is a critical judgement for management as it relies on assumptions on the availability of tax reliefs at the point of disposal, and the method of distribution of realised gains to the Bank, which cannot be confirmed until the point of disposal of individual investments or liquidation of the LP, and subsequent distribution of any gains up to the Bank. Management has made assumptions about the most likely tax implications of any such distributions in arriving at the estimate for deferred tax.

2. Interest income

	2022-23 £000	2021-22 £000
Other interest received	171	-
Interest income on loans at amortised cost	9,966	1,879
Total interest income	**10,137**	**1,879**

During 2022-23, the Bank recognised interest of £7,613k (FY 2021-22: £998k) in respect of private sector lending and £2,353k (FY 2021-22: £881k) in relation to local authority lending.

Other interest received comprises of equalisation interest received in relation to the investment in funds.

3. Staff numbers and staff costs

The average monthly number of FTE employees including directors was:

	2022-23	2021-22
Staff numbers		
Employees	27	4
Secondees	44	23
Contractors	93	29
Total staff numbers	**164**	**56**

Staff costs comprised:

	2022-23 £000	2021-22 £000
Employees:		
Salaries and wages	3,883	836
Staff pension costs	378	83
Social Security costs	527	75
Others:		
Bought-in services – Secondees	5,431	2,373
Invoiced amounts – Contractors	16,633	5,517
Total costs	**26,852**	**8,884**

Staff costs relate to permanent staff, secondees from other public sector organisations and contractors. Additional details of staff costs, directors' emoluments and full-time equivalent employees are available in the "Remuneration and Staff Report" on pages 71 to 84.

4. Other operating expenditure

	2022-23 £000	2021-22 £000
Legal fees	2,579	517
Information technology	1,880	584
Recruitment	1,043	335
Consultancy	784	591
Staff related expenses	510	179
Auditor’s remuneration	336	272
Estate related costs	351	164
Other expenditure	479	270
Total other operating expenditure	**7,962**	**2,912**

The accounts of the Bank are audited by the NAO under the Companies Act 2006. The cost of audit work performed is £280k excluding VAT (FY 2021-22: £233k excluding VAT). There were no payments to the NAO for non-audit work during 2022-23 and 2021-22.

5. Taxation

	2022-23 £000	2021-22 £000
Current tax		
Current year	-	-
Changes in estimates related to prior years	(1,776)	53
Total current tax	**(1,776)**	**53**
Deferred tax		
Origination and reversal of temporary differences	(13,725)	5,630
Total deferred tax	**(13,725)**	**5,630**
Total tax recognised	**(15,501)**	**5,683**

Reconciliation of the tax charge in the period

	2022-23 £000	2021-22 £000
Profit / (loss) before tax	(21,453)	109,799
Tax on profit / (loss) at standard rate 19% (FY 2021-22: 19%)	(4,076)	20,862
Effects of:		
Movements in realised/unrealised gains	(6,796)	(20,423)
Expenses not deductible	224	-
Income not taxable	(33)	-
Impact of changes in tax rates	(3,294)	2,681
Movement in unrecognised deferred tax	(320)	1,960
Prior period adjustments	(1,776)	53
Profit allocated from Limited Partnerships in respect of investments relationships	570	550
Total tax charge	**(15,501)**	**5,683**

5. Taxation (continued)

Deferred tax

	2022-23 £000	2021-22 £000
Balance at 31 March	**11,172**	**5,542**
Recognised in profit and loss	(13,725)	5,630
Deferred tax (asset)/ liability	**(2,553)**	**11,172**

Breakdown of the deferred tax:

	2022-23 £000	2021-22 £000
Deferred tax asset relating to tax adjusted losses carried forward	7,841	-
Deferred tax liability arising on equity funds	(5,150)	(11,172)
Deferred tax arising from accelerated capital allowances	(138)	-
Deferred tax	**2,553**	**(11,172)**

The March 2021 Budget announced an increase to the rate of corporation tax to 25%, effective from 1 April 2023. This rate had been substantively enacted at the balance sheet date and so deferred tax balances in these accounts have been measured at the future rate of 25%.

The Bank has chosen to offset the deferred tax asset of £7.8 million in relation to the tax adjusted losses carried forward of £29.6 million, and the deferred tax liability of £5.3 million arising from the equity funds and capital allowances, to give a net deferred tax asset on the Statement of Financial Position. This is based on the Bank forecasting taxable profits in future years in order to utilise the losses against, as it continues to build its income generating asset portfolio.

In the year, additional information regarding the structure of the Funds and likely availability of future applicability of tax reliefs on realisation of fair value gains has been received. This has led to a change in the estimated deferred tax, reducing the deferred tax liability at 31 March 2023 by £6.3 million.

6. Cash and cash equivalents

	2022-23 £000	2021-22 £000
Cash at bank	54,770	243,469

All cash is held in the Government Banking Service and managed by a shared government function. This provides the most cost-effective cash management for the Bank and the Government.

7. Trade and other receivables

	2022-23 £000	2021-22 £000
Accrued income	1,198	508
Accrued commitment fees	372	-
Prepayments	623	207
VAT recoverable	125	64
Other receivables	478	78
Corporation Tax	1,841	65
Total trade and other receivables	**4,637**	**922**

8. Assets held at Fair Value through Profit and Loss

	Total £000
Balance at 31 March 2021 (restated)	**162,029**
Additions	27,785
Repayments	(142,749)
Fair value movements	123,010
Balance at 31 March 2022	**170,075**
Additions	129,468
Repayments	(2,500)
Fair value movements	11,685
Balance at 31 March 2023	**308,728**

The Bank recognised unrealised fair value gains of £9.2 million (FY2021-22: losses of £19.7 million) arising from fund investments in the year, through the profit and loss.

9. Assets held at amortised cost

	Private Sector £000	Local Authority £000	Total £000
Balance at 31 March 2021	**-**	**-**	**-**
Additions	58,305	116,737	175,042
Repayments of capital	-	-	-
Repayments of interest	-	-	-
Accrued interest using the effective interest rate method	663	881	1,544
Deal related fees	-	-	-
(Expected credit losses)/Reversals	(921)	-	(921)
Balance at 31 March 2022	**58,047**	**117,618**	**175,665**
Additions	167,398	-	167,398
Repayments of capital	(42,833)	(435)	(43,268)
Repayments of interest	(7,924)	(203)	(8,127)
Accrued interest using the effective interest rate method	7,613	2,353	9,966
Deal related fees	(7,373)	-	(7,373)
(Expected credit losses)/Reversals	(4,653)	-	(4,653)
Balance at 31 March 2023	**170,275**	**119,333**	**289,608**

10. Trade and other payables

	2022-23 £000	2021-22 £000
Payable to HM Treasury	-	189
Accrued expenditure	5,635	3,647
Corporation tax	-	-
Deferred undrawn commitment fees	6,509	-
Other tax and other social security	308	-
Pension	77	-
Total trade and other payables	**12,529**	**3,836**

11. Loan commitment financial liabilities

	2022-23 £000	2021-22 £000
Balance at 1 April	**2,274**	**-**
Provided in period	3,543	2,274
Released in period	-	-
Balance at 31 March	**5,817**	**2,274**
Of which:		
Current	5,817	2,274
Non-current	-	-

Loan commitment financial liabilities are the allowance of ECLs for undrawn loan commitments. See *Note 13 Undrawn loan and capital commitments* on page 119 for the information on the total and *Note 16 Financial risk review* on pages 121 to 126 for the further breakdown of the movements of the loan commitment gross exposure and expected credit loss.

12. Loan amounts owed to Shareholder

	2022-23 £000	2021-22 £000
Balance at 1 April	**10,012**	**141**
Additions	125,000	10,000
Repayments of capital	(85,000)	(141)
Repayments of interest	(597)	-
Interest recognised using effective interest rate method	756	12
Balance at 31 March	**50,171**	**10,012**

The closing balance for Loan amounts owed to Shareholder represents a floating interest loan entered into during the year with an outstanding balance of £40 million at the year end, and a £10 million fixed rate loan entered into during the prior year. The amount entered into during the year was executed under the terms of the overarching funding agreement with HM Treasury with the floating interest rate being Gilts+11bps.

13. Undrawn loan and capital commitments

The Bank had the following undrawn commitments at the balance sheet date:

	2022-23 £000	2021-22 £000
Undrawn capital commitments		
Charging Infrastructure Investment Fund	134,940	154,940
Digital Infrastructure Investment Fund	24,750	34,512
NextPower UK ESG Fund	181,543	-
Octopus Sustainable Infrastructure Fund	100,000	-
Total undrawn capital commitments	**441,233**	**189,452**
Undrawn loan commitments		
Private sector lending	691,023	133,421
Total undrawn loan commitments	**691,023**	**133,421**
Total undrawn commitments	**1,132,256**	**322,873**

14. Fair value measurements

The following table analyses the Bank's financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

	Fair value hierarchy level	2022-23 £000 Carrying value	2022-23 £000 Fair value	2021-22 £000 Carrying value	2021-22 £000 Fair value
Financial assets: held at FVTPL					
Assets at FVTPL	Level 3	308,728	308,728	170,075	170,075
Financial assets: held at amortised cost					
Cash and cash equivalents	Level 1	54,770	54,770	243,469	243,469
Assets at amortised cost	Level 3	289,608	251,450	175,665	166,521
Trade and other receivables	Level 2	4,637	4,637	922	922
Total		**657,743**	**619,585**	**590,131**	**580,987**
Financial liabilities: held at amortised cost					
Lease liabilities	Level 2	2,173	2,173	1,469	1,469
Loan finance	Level 2	50,171	46,724	10,012	9,212
Trade and other payables	Level 2	12,529	12,529	3,836	3,836
Financial liabilities: loan commitment ECL					
Loan commitment ECL	Level 2	5,817	5,817	2,274	2,274
Total		**70,690**	**67,243**	**17,591**	**16,791**

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

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

14. Fair value measurements (continued)

Level 2: Inputs other than quoted market prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of level 2 financial assets is estimated using a method which acts as a proxy for a discounted cash flow to arrive at the fair value.

Level 3: Inputs that are unobservable. Investments in equity funds are the only financial instruments that are held at fair value in the Bank's financial statements. At initial recognition, these are recognised at fair value which is approximated at the transaction price i.e., the fair value of the consideration given or received, represents the fair value of financial asset at the initial recognition. For these unlisted entities, subsequent measurement is determined by taking net assets as a proxy for fair value because the underlying assets of each entity are held at fair value. Further information on the fair value methodology can be found in *Note 1.2.4 Fair value of assets held at FVTPL* on pages 112 to 113.

There were no transfers between levels in the hierarchy during the period. Further information on the accounting treatment of financial instruments under IFRS 9 is given in *Note 1.1.11 Financial instruments* on pages 104 to 109.

The fair value of the Bank's investments which are not traded in an active market is determined by using appropriate valuation techniques in accordance with the International Private Equity and Venture Capital ("IPEV") guidelines, including the discounted cash flow method, EBITDA multiples, comparison with similar instruments for which market observable prices exist and other relevant valuation models. These models incorporate investment specific credit, liquidity, operational and capital risk factors, and require the Limited Partnership to make assumptions in relation to unobservable inputs. As set out in *Note 1.1.11 Financial instruments* on pages 104 to 109, these figures have been taken as a fair interpretation of the situation as at 31 March 2023.

The most significant input used in the valuation methodology across all funds is the investments' discount rate, as determined by the respective Fund Managers, as changes in discount rate could materially impact the reported fair value of investments.

As at 31 March 2023, 5% over or under valuation of the Bank's portfolio of assets could lead to a movement upwards or downwards in the carrying value of Interests in Funds of £15.4 million (FY 2021-22: £8.5 million).

15. Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Bank. Such interests include holdings of debt and equity investments, and investment management agreements. Depending on the Bank's power over the activities of the entity and its exposure to, and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

15.1 Consolidated structured entities

As at 31 March 2023, the Bank did not consolidate any interests in structured entities, as the Bank is not considered to have control rights over these entities.

15.2 Unconsolidated structured entities

The Bank has £Nil interests in the form of debt investments in structured entities as at 31 March 2023 (2022: £43.6 million). For equity investments through limited partnerships considered to be structured entities, the Bank has £308.7 million (31 March 2022: £170.1 million) of interests that were measured at FVTPL.

Maximum exposure to loss from the Bank's interests in unconsolidated structured entities represents the maximum loss it could incur as a result of its involvement with these entities, regardless of the probability of the loss being incurred. For both debt and equity investments in unconsolidated structured entities, the maximum exposure to loss is the total carrying value of on balance sheet positions and off balance sheet arrangements, being loan and capital commitments, at the reporting date.

The Bank's interests in and maximum exposure to unconsolidated structured entities as at 31 March 2023 are set out below:

Nature of interest

	2022-23		2021-22	
	Debt £000	Equity £000	Debt £000	Equity £000
Assets at FVTPL	-	308,728	-	170,075
Assets at amortised cost	-	-	43,605	-
Total on balance sheet exposures	**-**	**308,728**	**43,605**	**170,075**
Total off balance sheet exposures	**250,000**	**441,233**	**-**	**189,452**
Maximum exposure to loss	**250,000**	**749,961**	**43,605**	**359,527**
Total assets of the entity	497,200	824,945	75,235	348,636

16. Financial risk review

16.1 Risk management

The objective of the Bank's financial risk management is to manage and control the risk exposures of its investments. Details of the Bank's risk management structure are provided in the "Risk management and internal controls" section within the Performance and Strategic Report on pages 39 to 45. This note presents information about the nature and extent of risks arising from the financial instruments.

16.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, other price risk and foreign exchange risk.

Interest rate risk
The Bank's investments comprise fixed and variable interest rate loans. The Bank's exposure to net interest rate risk is not significant for the financial period 2022-23 and the Bank does not use derivatives to hedge interest rate risk.

The impact of a 50-basis point increase / (decrease) in effective interest rate applicable to loan investments would be an approximate increase / (decrease) in interest income for the period of £500k.

16.2 Market risk (continued)

The above impact has been calculated by applying a 50-basis point sensitivity to the effective interest rate applicable to each interest income deriving investment. Investments based on a floating rate of interest only have been factored into the sensitivity calculation, and note that the relationship between the basis points and interest income is linear. We assume that a fixed rate investment would not be impacted by a change in interest rate.

Other price risk
The Bank is subject to certain risk associated with the ownership of infrastructure and infrastructure related assets. For example, local, national and economic conditions; the supply and demand for services from and access to infrastructure; availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable. These risks could cause fluctuations in the valuation of the investments and negatively affect the returns. The impact of such fluctuations is reflected in *Note 14 Fair value measurements* on pages 119 and 120.

Foreign exchange risk
The Bank does not have exposure to currency risk as the Bank invests in its functional currency of pound sterling.

16.3 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Bank by failing to discharge an obligation.

Maximum credit risk exposure

	Maximum exposure to loss 2022-23 £000	Maximum exposure to loss 2021-22 £000
Cash and cash equivalents	54,770	243,469
Assets held at FVTPL	308,728	170,075
Assets held at amortised cost	295,182	175,665
Balance at 31 March	**658,680**	**589,209**

Off balance sheet

	Maximum exposure to loss 2022-23 £000	Maximum exposure to loss 2021-22 £000
Contractual lending commitments	691,023	133,421
Capital commitments	441,233	189,452
Balance at 31 March	**1,132,256**	**322,873**

Information on the fair value assessment and related sensitivity analysis of the assets held at FVTPL can be found in *Note 14 Fair value measurements* on pages 119 and 120.

16.3 Credit risk (continued)

The table below shows the total ECLs recognised on amortised cost instruments:

	2022-23 £000	**2021-22 £000**
Impairment of Loan	5,574	921
Impairment of Loan commitment	5,817	2,275
Total ECLs on amortised cost instruments	**11,391**	**3,196**

The Bank held cash and cash equivalents of £54.8 million as at 31 March 2023 (2022: £243.5 million). The cash and cash equivalents are held with a bank which is rated A long-term and A-1 short term based on S&P ratings. The Bank considers that cash and cash equivalents have a low credit risk based on the external ratings of the holding parties. As such, an expected credit loss has not been recognised in the accounts.

The Bank does not hold any short-term financial instruments within trade and other receivables at year end. As such, an expected credit loss has not been recognised in the accounts.

The Bank has carried out sensitivity analysis on the key input to the ECL model. The potential impact of a deteriorated PD input with a sensitivity of a 1-notch downgrade could increase ECL provisions by £13.5 million. The potential impact of a 1-notch downgrade on LGD rating scale could increase ECL provisions by £5.7 million. Additionally, a macroeconomic downside stress test using the downside scenario could increase ECL provisions by £0.6 million. The macroeconomic downside scenario considers an increase in defaults and a fall in equity valuation occurring as a shock in the short term, which reflects the risk of operating in large infrastructure projects that require large quantities of materials and energy through an oil price shock. The Bank also assesses unlikely but plausible losses assuming a severe downside which aligns with the Bank of England's stress tests for commercial banks.

The tables on the following page show a reconciliation from the opening to the closing balance of the loss allowance. The basis for determining transfers due to changes in credit risk is set out in *Note 1.1.11 Financial instruments* on pages 104 to 109.

16.3 Credit risk (continued)

Allowance for ECLs on loans

	Not credit impaired		Credit impaired					
	Stage 1 Subject to 12 months ECL		Stage 2 Subject to lifetime ECL		Stage 3 Subject to lifetime ECL		Total	
	Gross carrying amount £000	ECL £000	Gross carrying amount £000	ECL £000	Gross carrying amount £000	ECL £000	Gross carrying amount £000	ECL £000
Balance at 31 March 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
New loans originated or purchased	176,586	(921)	-	-	-	-	176,586	(921)
Balance at 31 March 2022	**176,586**	**(921)**	**-**	**-**	**-**	**-**	**176,586**	**(921)**
Existing loans	45,883	(2,233)	-	-	-	-	45,883	(2,233)
New loans originated or purchased	124,108	(2,534)	-	-	-	-	124,108	(2,354)
Repayments in the year	(51,395)	114	-	-	-	-	(51,395)	114
Balance at 31 March 2023	**295,182**	**(5,574)**	**-**	**-**	**-**	**-**	**295,182**	**(5,574)**
Carrying amounts at 31 March 2023		**289,608**		**-**		**-**		**289,608**

One of the main qualitative criteria used to trigger the stage transfer is consideration of a Watchlist. The Watchlist is a selection of exposures which are of specific concern in terms of indicators of possible default or restructuring. Such exposures are subject to more frequent reviews of risk profile. Inclusion of an asset on a Watchlist constitutes a significant increase in credit risk.

Allowance for ECLs on loan commitments

	Not credit impaired		Credit impaired					
	Stage 1 Subject to 12 months ECL		Stage 2 Subject to lifetime ECL		Stage 3 Subject to lifetime ECL		Total	
	Gross exposure £000	ECL £000	Gross exposure £000	ECL £000	Gross exposure £000	ECL £000	Gross exposure £000	ECL £000
Balance at 31 March 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
New loan commitments	133,421	(2,274)	-	-	-	-	133,421	(2,274)
Balance at 31 March 2022	**133,421**	**(2,274)**	**-**	**-**	**-**	**-**	**133,421**	**(2,274)**
Existing loan commitments	65,997	1,035	-	-	-	-	65,997	1,035
New loan commitments	491,605	(4,578)	-	-	-	-	491,605	(4,578)
Balance at 31 March 2023	**691,023**	**(5,817)**	**-**	**-**	**-**	**-**	**691,023**	**(5,817)**
Carrying amounts at 31 March 2023		**685,206**		**-**		**-**		**685,206**

16.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due. The Bank currently receives equity and debt funding from HM Treasury to finance its operations and investment activities. If the Bank finds itself unable to meet its payment obligations, under the terms of its keep well agreement with HM Treasury, it will receive support from HM Treasury up to a cap of £22 billion, to enable it to satisfy its financial obligations and therefore the Bank is exposed to minimal liquidity risk. The Bank closely monitors its liquidity position through cash flow forecasting and reporting, taking into consideration all financial commitments.

The tables below provide detail on the contractual maturity of all financial instruments and other assets and liabilities:

31 March 2022	On demand £000	Up to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial assets						
Assets held at FVTPL	-	-	-	-	170,075	170,075
Cash and cash equivalents	243,469	-	-	-	-	243,469
Assets held at amortised cost	-	-	43,817	27,808	104,040	175,665
Total financial assets	**243,469**	**-**	**43,817**	**27,808**	**274,115**	**589,209**

31 March 2023	On demand £000	Up to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial assets						
Assets held at FVTPL	-	-	-	-	308,728	308,728
Cash and cash equivalents	54,770	-	-	-	-	54,770
Assets held at amortised cost	-	-	435	59,000	230,173	289,608
Total financial assets	**54,770**	**-**	**435**	**59,000**	**538,901**	**653,106**

The tables below show the contractual maturity of the financial liabilities as at the end of the financial year. There is no material difference between discounted and undiscounted values.

31 March 2022	On demand £000	Up to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial liabilities						
Loan finance	-	-	-	-	10,012	10,012
Loan commitment	-	-	2,275	-	-	2,275
Total financial liabilities	**-**	**-**	**2,275**	**-**	**10,012**	**12,287**

31 March 2023	On demand £000	Up to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial liabilities						
Loan finance	-	-	-	40,000	10,171	50,171
Loan commitment	-	-	5,817	-	-	5,817
Total financial liabilities	**-**	**-**	**5,817**	**40,000**	**10,171**	**55,988**

16.4 Liquidity risk (continued)

The tables below reflect the anticipated drawdowns following the end of the financial year based on a cashflow forecast and the elements of total commitments expected to expire without being drawn.

31 March 2022	On demand £000	Up to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Off-balance sheet						
Contractual lending commitments	-	12,615	31,065	89,741	-	133,421
Capital commitments	-	9,960	24,095	114,189	41,208	189,452
Total off-balance sheet	**-**	**22,575**	**55,160**	**203,930**	**41,208**	**322,873**

31 March 2023	On demand £000	Up to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Off-balance sheet						
Contractual lending commitments	-	106,843	177,703	356,477	50,000	691,023
Capital commitments	-	46,593	106,337	237,975	50,328	441,233
Total off-balance sheet	**-**	**153,436**	**284,040**	**594,452**	**100,328**	**1,132,256**

16.5 Capital management

The Bank is not regulated by the Prudential Regulation Authority or the Financial Conduct Authority. The Bank's objective when managing economic capital is to safeguard its ability to continue as a going concern so that it can continue to meet its financial obligations as and when they fall due. The Bank's economic capital comprised of issued share capital, reserves and retained earnings and, when assessed at the year end, was deemed sufficient under the standardised approach.

The Bank assesses the Group's capital requirements in order to maintain an efficient overall financing structure. The Bank manages the capital structure and makes adjustments to it in the light of changes in economic conditions, future expected cash outflows, and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Bank may request additional funding from its shareholder HM Treasury.

The amounts managed as capital for the reporting periods under review are therefore as described within Equity in the Statement of Financial Position on page 98, and further detailed in the Statements of Changes in Equity on page 99.

17. Share capital

	2022-23	2021-22
Authorised equity: Ordinary shares of £1 each	£274,200,100	£274,200,100
Authorised equity: Allotted, called up and fully paid	274,200,001	274,200,001
Authorised equity: Allotted, called up and unpaid	-	-

In accordance with the Companies Act 2006, the Bank does not have authorised capital other than its issued capital. The Ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up. The shares carry no right to fixed income. No dividends were declared or paid in 2022-23 (FY 2021-22: £Nil) on the Bank's Ordinary shares. No new shares were allotted during the period.

18. Parent company

As at 31 March 2023, the Bank was a wholly owned subsidiary of HM Treasury, owned by the Treasury Solicitor as nominee Shareholder. In the opinion of the directors, the Bank's ultimate parent company and ultimate controlling party is HM Treasury. It is registered in England and Wales and operates in the United Kingdom. Its principal place of business is: 1 Horse Guards Road, London, SW1A 2HQ.

Consolidated accounts of the HM Treasury Group can be obtained from the above address or via HM Treasury annual report and accounts 2022 to 2023 - GOV.UK (www.gov.uk).

19. Related party transactions

HM Treasury is the ultimate controlling party of the Bank. Whilst the Bank is expected to be self-sufficient, as part of the keep well agreement between the Bank and HM Treasury, the Bank's operating costs and financial obligations will be met by HM Treasury if required. Key Management Personnel refers to Executive and Non-Executive Directors of the Board.

Compensation	2023 £000	2022 £000
Salaries and other short-term benefits	852,766	507,013
Long-term benefits	185,831	63,250
Post-employment benefits	13,212	158,000

Further details of compensation for Key Management Personnel can be found in the "Remuneration and Staff Report" on pages 71 to 84. There were no further transactions between the Bank and Key Management Personnel (or any other HM Treasury staff). There were no transactions between the Bank and any other members of the HM Treasury Group, or any other government bodies, in the year.

20. Subsidiaries and other significant undertakings

The Bank has the following significant holdings in undertakings other than subsidiaries, where the ownership percentage or partnership interest exceeds 20%. The Bank does not exert significant influence over these undertakings. These are held at fair value through the profit or loss in the Statement of Financial Position.

Significant undertakings	Country of Incorporation	Nature of Holding	Shares held by the Bank
Charging Infrastructure Investment LLP Fund Registered Address: 26 Ives Street, London SW3 2ND	United Kingdom	Equity Fund Investment	47.58%
Digital Infrastructure Investment Partners LP Fund Registered Address: 10 Fenchurch Avenue, London EC3M 5AG	United Kingdom	Equity Fund Investment	100.00%
National Digital Infrastructure Fund LP Registered Address: 3 More London Riverside, London, SE1 2AQ	United Kingdom	Equity Fund Investment	50.00%
NextPower UK ESG Fund Registered Address: 20 Savile Row, London W1S 3PR	United Kingdom	Equity Fund Investment	41.98%
Octopus Sustainable Infrastructure Fund Registered Address: 8 Angel Court, London EC2R 7HP	United Kingdom	Equity Fund Investment	49.75%

21. Events after the reporting period

In March 2023, the Bank announced its intended investment of up to £200 million across two investment funds to accelerate the development and deployment of crucial storage technologies, helping to drive the UK's transition to a cleaner, greener and more resilient electricity network. With a £125 million commitment in the Equitix UK Electricity Storage Fund in August 2023 and a further £75 million commitment to the Gresham House Secure Income Renewable Energy & Storage LP ("SIRES") in September 2023, these deals represent the Bank's first equity investments in the electricity storage sector and act as a catalyst for the sector, helping to build confidence among private investors.

In May 2023, the Bank committed £12 million to support an innovative nature restoration project in the Scottish Highlands and Islands, with the aim of stimulating natural capital markets and helping to tackle climate change, boost biodiversity and deliver benefits to the local community. Representing the Bank's first deal exclusively in Scotland, the pioneering project will aim to provide critical new data and understanding on the restoration of Scotland's ecosystems, with the Bank's finance expected to enable the restoration of temperate rainforest on the Tayvallich Estate.

Also in May 2023, the Bank announced its first debt transaction in battery storage, with a £62.5 million commitment to support the development of multiple new energy storage and grid stability facilities across the UK. The Bank's investment will form part of a £175 million financing which will support Pulse Clean Energy Ltd in its plans to invest over £1 billion in the development of more than 1GW of battery energy storage system capacity across 20 sites in England, Scotland and Wales over the next three years.

The Bank announced its £50 million commitment to the Port of Tyne regeneration and expansion in June 2023, which will help boost local and regional growth across the North East. The Bank's financing will enable the regeneration and redevelopment of the land that will provide a base for the growing number of green industries in the area, including offshore wind, which supports the UK's transition to net zero and long-term energy security ambitions.

In July 2023, the Bank committed £45 million in senior debt to support GRIDSERVE, a sustainable energy business and Electric Vehicle charge point operator with the roll-out of critical Electric Vehicle charging infrastructure across motorway service areas in the UK. The Bank's financing, part of a £300 million committed capex facility, will support investment in around 2,000 ultra-rapid charging points as part of GRIDSERVE's wider rollout. With around 45% of all public charging points currently located in London and the South East, GRIDSERVE's rollout is expected to reduce range anxiety across the UK.

Also in July 2023, the company issued 230,000,000 ordinary shares.

In August 2023, the Bank confirmed an investment of £24 million in Cornish Lithium Plc to support a first of a kind lithium extraction and exploration project. This project will contribute to our climate change objective by establishing an upstream supply chain for battery production required for the decarbonisation of transport. It is also expected to create skilled jobs in a region with one of the lowest rates of productivity in the UK.

The Bank also completed the follow-on investment to the original Digital Infrastructure Investment Fund (DIIF), signing the two remaining tranches of the £100 million deal announced in August 2022 (see page 27 for further detail on the first part of the deal). In August and September, the Bank invested £35 million into funds with Fibrus and Ogi, respectively.

22. Date of authorisation for issue of the financial statements

These financial statements were authorised for issue by a director of the Bank on the date of the audit report.

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