

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The Charity Bank Limited is a charity registered in England & Wales with the Charity Commission. It is also an authorised and regulated institution under the Financial Services and Markets Act 2000.

Charity Bank is the only authorised bank in the UK that is also a registered general charity. Its mission is to finance charities and other social profit organisations that address society's needs, with the support of depositors and investors who want to encourage a more responsible and transparent use of money.

CHAIRMAN

George Blunden

CHIEF EXECUTIVE

Malcolm Hayday

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Chairman's Statement

This is the first report that I have written since being appointed as Chairman at the AGM in May 2010. My predecessor and the first Chairman of Charity Bank, David Clark, handed over the reins at that meeting. Under David's inspirational leadership Charity Bank developed from a concept, a vision of a few inspired individuals, to an established, well respected leader in the world of financing charities and social enterprises. As the bank grew over the few years since its foundation, it was always David's intention to maintain the highest standards of service, commitment, morality and governance that reflect our mission in the third sector. All involved with Charity Bank are grateful for his dedication and leadership, in particular through the last few difficult years of financial and regulatory challenge and change.

When I spoke at the bank's AGM in May I talked of my intention to continue the high standards set by my predecessor and thanked him for 'putting Charity Bank onto the stage'. I described my task as to 'move us from the wings to the centre of the stage'. As events have evolved since then, the sector we serve continues to suffer from an increasingly difficult financial environment. The traditional banking sector continues to be reluctant to lend to those who deal with the escalating social issues. The combination of this with the most dramatic scaling back of government financial support that any of us have witnessed at a time of low growth, job losses and individual financial distress, makes our 'movement to the centre of the stage' even more essential than I envisaged in May.

The challenge is upon us. So how are we placed to meet this? If 2010 was a time of change for the sector, it has been a time of change for Charity Bank. The search for sustainability has come a great deal nearer as the year has evolved. I am delighted to report that the loss for this year of £974k is significantly lower than that of the previous year of £1,425k. Even more encouragingly the trend continues to move in the right direction; the loss for the second half of the year of £344k was about half the £630k loss of the first half. This financial improvement has been the direct result of higher loan volumes to charities, up from £35.8m at the end of 2009 to £46.5m at the end of 2010, combined with better money market returns on our surplus cash as it waits to go out in loans and a thorough review of expenses.

At Trustee level, we have seen the retirement of a number of long-serving trustees, Peter Clarke, Paul Harbard, who had been with the bank since its inception, and Lord Cairns. Their dedication, advice and guidance have been of immeasurable value to Charity Bank as it established itself. Consequently, we have taken the opportunity to bring on board six new trustees who are energetically committed to addressing the challenges ahead. Charity Bank's new trustees have a wealth of experience in finance and banking as well as substantial knowledge and experience of the third sector, which will support the bank's development at this challenging time. We continue to be guided by the vision, energy and unmatched knowledge of the sector of our Chief Executive, Malcolm Hayday. This year however we felt it right, as the bank expands, to add to the senior management team and we are delighted that Geoffrey Burnand and Caroline Mason have joined as Chief Investment Officer and Chief Operating Officer respectively. They bring with them considerable experience of the financial and social sectors that will allow us to build on our core business while expanding the range of products we offer our clients.

May I take this opportunity to say how deeply impressed I have been by the dedication, energy, good will and humour of all those who work at, or are associated with, Charity Bank. It has also been a pleasure to meet a number of our borrowers, depositors and capital providers all of whose enthusiasm for the work of the bank fills me with confidence for the future. We are extremely grateful for their support and I am sure that, with their help, we will continue to meet the challenges ahead.

The new Board of Trustees has focused on the challenges and opportunities facing the bank as we cope with the aftermath of the financial crisis and deal with the future impact of the Government's spending reviews on the sector we serve. We are excited by the opportunity we see and are convinced that Charity Bank is absolutely in the right place at the right time, ready to do what it can to assist those organizations who work to alleviate the problems of our society. We believe that over the next few years Charity Bank's unique approach to financing the sector will be even more in demand than we previously envisaged. We have a duty to respond to this need and the Board and the team at Charity Bank enter 2011 with a determination to build the capital base and product range of the bank so that we can take our place at the centre of the stage.

George Blunden

Chairman

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Chief Executive's Statement

At a time when banks remain quite properly subject to public scrutiny and scepticism, it is very pleasing to report that Charity Bank continues to grow as increasing numbers of savers and community based organisations seek out a different bank. The bank's balance sheet has grown overall by 17% on the back of increased deposits and a 30% rise in gross drawn loans. As with the wider economy, we have seen evidence of commercial banks withdrawing from supporting charities and social enterprises so it is increasingly important that we are there to help those with viable proposals find solutions to their financing needs on affordable terms. As noted elsewhere we have increased our due diligence work as the recession reaches through to the voluntary sector and we only wish to encourage prudential borrowing appropriate to an organisation's needs.

In the wake of the financial crisis, 2008 and 2009 saw record losses for the bank. By tight control of costs, improved yields on our liquidity and increased lending, our loss for 2010 is significantly less than we had budgeted with a substantial improvement in the second half of the year as these measures fed through to the bottom line. We are now confident of our path to surplus and sustainability over the next couple of years, always keeping a weather eye to the resilience of the sector at this time of unprecedented cuts. This improvement is being achieved by sticking to what we do best – working with our investors and depositors to provide affordable finance to social ventures across the breadth of society. Increasingly this is not just about lending from our own resources but in providing greater access to other social investors and measuring the impact of our interventions. To ensure that we can remain effective and innovating in the provision of social finance, we are developing an alliance with social investment advisory firm, Investing for Good. This will enable us to advise on the issue of loan note programmes for charities as well as for the bank itself, and to assist investors and charities with ways in which to measure impact. At a time when the financial resources of the sector are at their most stretched, it is more important than ever to be able to demonstrate impact through simple metrics.

If we are truly to occupy the centre stage that our trustees envisage and charities need of us, then we must raise more capital to comply with new banking regulation and to grow the bank even more significantly than we have done in the first eight years. We are delighted to welcome Building Change Trust as an investor which will help us build the capacity of the sector in Northern Ireland, to use a broader range of financial instruments while also strengthening the capital base of the bank. During the year we will seek to raise additional capital from like minded charities, trusts and foundations and are exploring how we may involve private individuals in this as well. A strong, diversified capital base will enable us to deliver even more effectively the mission that has sustained us throughout our first eight years, much of which is reflected in the Big Society. In that time we have provided support to almost 1000 social ventures and through our investment readiness programmes worked with 1000 more. Over the next four years we can grow the bank from £68m to £100m and then to £200m+, increasing the financial options for so many more charities and social enterprises.

The role of the Big Society Bank will become clearer during 2011 but we welcome it and are confident that we can work with it in its role as a wholesale supplier of funds, to which we can add value to the benefit of the sector as a whole. Charity Bank is at the forefront of involving individual depositors in social finance through our social cash ISAs and CITRA.

As snow lay on the ground in December 2010, our work had the spotlight shone on it when we won the overall award for outstanding financial innovation from the Institute of Financial Services. This award is shared by everyone connected with the bank and who make Charity Bank what it is. We believe that everyone in the bank is as important as the other. The highest salary in the bank is formally linked to the lowest by a ratio of no more than 9 times. Bonuses are not paid to individuals but success is shared by everyone. At times we do get things wrong and we take complaints very seriously and learn from them. I am pleased to say they are few and that we also receive many compliments for the way our team work with borrowers and depositors. We are supported in our work by our unpaid trustees who give freely of their time in furtherance of the bank's mission. 2010 saw a significant change in the composition of the board as retiring trustees were succeeded by new members. We welcome them all and thank them for their commitment together with others. I am very grateful, too, for the commitment that each member of staff brings to working at Charity Bank from the first phone call to the disbursement of funds that transforms a community idea into reality, so that we may truly be a different bank for people who want a different world.

Malcolm Hayday

Chief Executive

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Trustees' Report

The Report and Accounts for the year ended 31 December 2010 are prepared in accordance with statutory requirements and the bank's governing document and comply with Accounting and Reporting by Charities SORP 2005 and British Bankers' Association SORPs.

Financial Review

	£ 000	£ 000	% Increase	
The numbers	2010	2009	(Decrease)	
Balance sheet				
Market investments	13,800	16,201	(14.8%)	<i>Investment of our surplus liquidity</i>
Gross loans and advances to customers	46,476	35,827	29.7 %	<i>What we are about – support and finance for charities</i>
Deposits	54,025	44,044	22.7 %	<i>Funded by private individuals, companies and charities</i>
Long term loans	3,500	3,500	-	<i>From trusts and Barclays Bank</i>
Called up share capital	6,122	6,122	-	<i>Contributed by CAF and 21 charities and trusts and Barclays Bank</i>
Total funds	10,357	10,426	(0.7 %)	<i>Amount of restricted and unrestricted funds deployed by the bank</i>
Balance sheet total	68,156	58,238	17.0%	
Profit and Loss Account				
Net interest income	1,771	1,207	46.7%	<i>What we earn from our lending</i>
Banking operations' costs	2,836	3,031	(6.4%)	<i>Our costs for operating and managing risks</i>
Governance costs	144	125	15.2%	<i>Legal and audit fees and trustee expenses</i>
Net deficit	(974)	(1,425)	(31.6 %)	

How the numbers relate	2010	2009
Loans to customers as a proportion of balance sheet	68.2	61.5
Deposits as a proportion of balance sheet	79.3	75.6
Interest yield	4.2%	4.1%
Average cost of funds	1.6%	2.4%
Return on total funds	(9.4%)	(13.7%)

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Trustees' Report (continued)

Introduction

We continue to operate in a challenging economic situation and this has affected our business decisions as well as the financial outcome for the year. The low interest rate regime which prevailed throughout the year, continued to have an adverse impact on the yield on our surplus liquidity which is invested in the money markets. To improve our yield on these assets, we have now outsourced the investment of our surplus funds to Royal London Asset Management. We have increased our resources in the monitoring of our loan assets in order to ensure that we provide necessary support to our borrowing customers as they continue their work during the current difficult economic environment. This will help to ensure that we do not suffer undue losses on account of bad debts and provide timely and valuable support to charities and social enterprises, while maintaining the quality of our loan assets. On the positive side, the continuing low interest rate environment has meant that our cost of funds has remained low even as the rates we offer on our deposits are competitive to those available in the market.

What the numbers say...

The balance sheet grew by 17.0% (2009: 22.3%) during 2010 reflecting the growth in business volumes achieved during the year.

On the assets side, loans to charities, community groups and social enterprise grew by 29.7% (2009: 30.9%) – maintaining the momentum of growth achieved in recent years. This meant that 68.2% (2009: 61.5%) of the balance sheet was used to further our primary purpose of making charitable loans. If we add the committed but undrawn loans to this total, the proportion rises to 87.6% (2009: 70.2%). We also have a healthy pipeline of proposals at various stages of the approval process and we are confident of achieving the target of £20.2m increase in drawn loans for 2011. Allowing for regulatory liquidity reserves, which we are expected to maintain, this represents a full commitment of the balance sheet to mission related lending. We are confident that we can raise sufficient deposits to fund business growth in 2011 and beyond. We have maintained the high quality of our loan book, which has enabled us to report minimal losses on account of bad loans.

On the liabilities side, deposits have continued to grow and have increased by 22.7% in 2010 (2009: 25.5%) with increases across all deposit products. We have received a further Community Investment Tax Relief (CITRA) accreditation this year, which will enable us to raise deposits up to £20m under the scheme. We are confident of achieving our ambitious target for raising fresh deposits in the current year.

Total funds have decreased marginally by 0.7% (2009: increase of 10.6% accounted for by receipt of the last instalment of the capital grant from Yorkshire Forward in the amount of £2m). During the year, we have signed a new agreement to receive a revenue grant of £1m as part of the agreement with Cylch Wales Community Recycling Network ('Cylch'). We have also signed an agreement with Building Change Trust, Northern Ireland to receive a capital grant of £1m over two years. Shareholders' funds have absorbed the accumulated losses of the bank since inception, which total £7.7m (2009: £6.7m) at the balance sheet date.

The operating loss for the year, at £974,000 (2009: £1,425,000), has decreased by 31.6% (2009: increase of 24.7%). On the revenue side, our net interest income has increased by 46.7% (2009: 30.7% decrease). The increase is primarily on account of increase in business volumes and a slight improvement in the yield on our market investments. The reduction in the cost of funds, achieved through a reduction in the interest rate on our CITRA deposits, has also contributed to an increase in net interest income. Fees and commissions received have increased by 40.7% (2009: 14.2% decrease), once again due to increase in the volume of loans. With the completion of the Yorkshire Forward Investment Readiness Programme during the year, donations have decreased by 20.6% (2009: 34.0%).

On the expenditure side, expenses for banking operations have continued their downward trend with a decrease of 6.4% (2009: 7.0%), with reductions in all areas except staff costs and IT expenses. Staff costs are higher on account of a one-off item connected with the final settlement in respect of an employee who left the services of the bank during the year, while higher IT costs are explained by the additional costs arising from changes to regulatory compliance. Latent loan loss reserve has increased, accounted for by a significant increase in the value of drawn loans. The bad debt written off during the year was identified as a delinquent loan in 2008 and resulted in a net charge of £27k in the year.

Looking forward

The effects of the credit crunch have continued throughout the year and are likely to last for some time to come. The UK Government's Big Society initiatives are still in very early stages of being rolled out and it remains to be seen how they will impact the voluntary and social enterprise sector. In the short term, many organisations in the sector will find the situation challenging, on account of the immediate impact of spending cuts, while the government implements measures to redress the situation. We continue to work with our borrowers to minimise the impact of the spending cuts, while at the same time, enabling them to take advantage of initiatives which will be rolled out as part of the Big Society agenda. Based on current information, we do not anticipate any major deterioration in the financial situation of our borrowers which will adversely impact our loan book.

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Trustees' Report (continued)

Towards the end of the year we outsourced the management of our surplus liquid funds to Royal London Asset Management. This has improved the yield on the investment of these funds and we will reap the full benefit of this arrangement in the current year. We have successfully managed the deposit maturity cycle during the year. With the grant of a new Community Investment Tax Relief (CITR) accreditation, we have started accepting fresh CITR deposits and hope to fulfil the maximum value of the accreditation (£20m) in the current year. We are confident of raising sufficient deposits to fund the growth in our loan book as well as provide funds to comply with regulatory and prudential liquidity requirements. Finally, we have included a modest amount of new capital receipts in 2011 as part of our capital raising project with substantial amounts being assumed in the plan in later years. We embarked on a cost cutting exercise in 2010, the full benefit of which will be felt in the current year. We have also set in train the process to acquire Investing for Good, an investment advisory firm. This is subject to regulatory approval. As part of this process, we have commenced new business initiatives which will add to our income streams without our having to allocate significant additional regulatory capital.

Share capital, reserves and dividends

All of Charity Bank's issued ordinary share capital (£1 million), and £1.5 million of the issued non-cumulative preference shares are owned by Charities Aid Foundation (CAF). However, Charity Bank's results are not consolidated with those of CAF, because the rights of the ordinary shares do not permit CAF to exercise control over the activities, strategy, or direction of Charity Bank. No new shares were issued during the year (2009: nil). Although the Memorandum and Articles of Association permit payment of a dividend to charitable shareholders at the sole discretion of the Non Connected trustees, no dividend has been declared (2009: nil). A list of shareholders at 31 December 2010 is attached at the end of this Report.

Directors and trustees

The trustees of the charity are also directors of the company. The names of the directors and trustees who served throughout the year, except as noted below, are as follows:

Name of trustee		No. of meetings attended/ (out of a maximum of)
David W Clark (Chair)	(retired 19 May 2010)	1/1
George Blunden (Chair)	(appointed 30 April 2010)	5/5*
Gordon Beesley		4/5
Ann Cairns		4/5
Peter Clarke	(retired 19 May 2010)	1/1
Andrew Davies	(appointed 13 August 2010)	3/4**
Alan Graham	(appointed 13 August 2010)	2/4**
Paul J Harbard	(retired 19 May 2010)	1/1
Sara Llewellyn	(appointed 13 August 2010)	2/4**
John Low	(appointed 2 December 2010)	1/1***
Martin Mosley		5/5
Andy Munro	(appointed 13 August 2010)	4/4**
Mary Phibbs	(appointed 13 August 2010)	2/4**
Julie Saunders		4/5
The Rt. Hon The Earl Cairns CBE CVO	(retired 2 December 2010)	3/4
Chris Vermont	(appointed 13 August 2010)	4/4**

* First meeting - in attendance only.

** First and second meetings - in attendance only.

*** In attendance only. Appointment subject to approval by the Financial Services Authority (received 7 February 2011).

During the year three directors were also directors or employees of other members of the CAF family and are connected trustees:

David W Clark – Director CAF Bank Limited

The Rt. Hon. The Earl Cairns – Chairman CAF Nominees Limited

John Low – Chief Executive Charities Aid Foundation

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Trustees' Report (continued)

Constitution and Governance

Legal Structure and Trustee Appointment

Charity Bank was founded by CAF as part of its mission to increase the financial resources available for charity. Charity Bank is a company limited by shares (No. 4330018) and is governed by Memorandum and Articles of Association, adopted by the Board on 22 April 2002 and amended subsequently. The bank is a firm authorised by The Financial Services Authority (No. 207701) and a charity registered in England and Wales (No. 1091648).

The Board of trustees is required to consist of not more than fifteen and not less than three trustees and:

- the majority shall be Non-Connected trustees;
- not more than three may be appointed by CAF entities; and
- not more than three trustees shall also be trustees/employees of CAF.

A Non-Connected trustee is a person who is not, and has not in the preceding twelve months, been a trustee, director of a corporate body controlled by, a trustee of any trust or other non-corporate organisation controlled by, or employee of, any ordinary or preference shareholder. Non-Connected trustees are each required to hold one "A" share as a qualification for taking office.

Up to three trustees may be directly appointed by CAF entities for terms of three years, renewable twice. All other trustees are appointed by B Preference shareholders in accordance with voting rights detailed in the Articles of Association, for terms of three years, renewable twice. One third of the trustees so appointed are required to retire at each annual general meeting, when they may be appointed for up to two further terms. CAF may remove any CAF Connected trustee from office. Connected trustees who are appointed by the B preference shareholders may be removed from office by the B preference shareholders and Non-Connected trustees appointed by the B preference shareholders can be removed from office by B Preference shareholders subject to ratification by the majority of the other Non-Connected trustees.

Following their appointment, trustees receive training on their duties and any necessary requirements based on financial services legislation. Induction consists of meetings with trustees and staff and includes a visit to Charity Bank's Head Office in Tonbridge.

Public benefit

In 2006 Parliament passed legislation for charities which, inter alia, required charities' aims to be, demonstrably, for the public benefit. We share the view of the Charity Commission that there is a kind of covenant that charities have with society: charities bring public benefit and, in their turn, are accorded high levels of trust and confidence and the benefits of charitable status. Being a charity is not the same as being an organisation that does good things. Charity has an outward, inclusive nature; it is not inward-looking, for private benefit. Society is enriched immeasurably by the activities of charities.

Charity trustees are now required to report on their charity's public benefit in their annual report. Charity Bank recognises that being both a bank and charity brings special responsibilities. At a time when many have questioned the social usefulness of banks, Charity Bank's trustees have decided to report fully and separately below on the public benefit provided by this unique charity.

As well as having a general charitable purpose, the specific purposes of Charity Bank are:

- to provide loans and guarantees on beneficial terms to charities or for charitable purposes;
- to receive donations; and
- to obtain loans and take deposits on beneficial terms from the public and others.

Our vision is that major social change is possible through investing in social capital. If charities are to be effective, they must have the resources to hone their strategies and be given the incentive and ability to grow if they wish.

Charity Bank is a mission-driven bank that arranges and provides affordable loans and guarantees to charities, supported by capacity-building and strategic advice, to help build more sustainable organisations that work to address society's needs and aid the development of communities (and in this we are mindful of the description of charitable purposes in The Charities Act). We do this thanks to the support of donors, depositors and investors who want to encourage a more responsible and transparent use of money, and who are happy to receive a 'fair' financial return as well as a broader social return.

In shaping our activities and objectives, the trustees have considered the Charity Commission's guidance on public benefit, particularly as this relates to intermediary organisations, like ours, that have the task of enabling other charities to deliver goods, services and support in order to strengthen their social impact and deliver on their mission. We pay special attention to those

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Trustees' Report (continued)

working with marginalised, excluded or disadvantaged communities and people and we are keen to ensure that no organisation is excluded from the opportunity to apply for finance or advice, particularly at a time when access to credit is more difficult.

However, we believe that loan finance can only be of benefit if it is provided and used responsibly. It is not a substitute for grants. Used irresponsibly lending can cause detriment or harm. Debt can be debilitating but credit can be empowering. Affordability and impact are key considerations in our due diligence. We may not always be the cheapest option available, especially in a low interest-rate environment, but our pricing takes into account the period of the loan, what security, if any, will be required, and the level of support provided to the borrower. We take a holistic view of beneficial terms so that the overall package of finance is both beneficial and tailored to the needs of the borrower. We also work within the guidelines of the 'know your customer' and 'treating customers fairly' regimes of the Financial Services Authority and have an established complaints procedure.

In pursuit of our mission during 2010, Charity Bank considered 690 enquiries for finance which totalled £204 million. Of these, 190 were able to be developed during the year and 100 loans were agreed. Only 18 were actually declined although a further 74 were withdrawn or referred to other funders. The remainder were given advice and pointers as to how they might develop their plans.

Our formal partnership with regional development agency Yorkshire Forward, to facilitate the transformation of charities in Yorkshire and the Humber from grant dependency to greater sustainability came to a conclusion during the year. Overall some 1000 organisations have attended our training workshops or received one-to-one investment readiness support.

We continued to develop our presence in the English regions as well as in Northern Ireland, Scotland and Wales, through locally appointed regional managers, so that we are able to better serve the needs of charities in the four countries of the United Kingdom.

Our Different Journeys programme offers a series of visits to borrowers around the UK which enable our stakeholders to see for themselves how their money is being used in their local area.

As part of our commitment to developing financial products that support philanthropy, the bank has continued to offer the Charity ISA, a theme that has been picked up by the Big Society agenda reference to social ISAs.

There is a growing interest in the role of investment in financing charitable activity around the world. We often receive enquiries and visitors from overseas and participate in forums and conferences, running plenary sessions and workshops that draw on our experience in the financing of transformation. We also run a summer intern programme and in 2010 again welcomed volunteers from business schools and universities. Together with volunteers from the City, they bring us skills and enthusiasm to match or complement our own, while having the opportunity to learn first-hand how a charitable banking model works.

We know by asking our borrowers that 74% of them have been helped on the road to sustainability thanks to our loan and business support, while 50% acknowledge that Charity Bank has helped them to improve their financial reporting. We also know that Charity Bank's borrowers reach over three million people throughout the UK, while a small number also work with people overseas. Additionally, we are developing social impact measures that will enable us to report more effectively the results of our work with charities.

Objectives and achievement

The team at Charity Bank set itself financial objectives in the four main areas detailed below. The trustees believe that these are ongoing objectives for the bank, and in the difficult economic environment during 2010 the outcome was as follows:

Objectives	Achievement	Looking Forward
Embark on a capital raising project with a view to raising £6m over the next four years. Raise £1m by way of capital grant.	We have signed an agreement to receive £1m in capital grant over 2010-11 from The Building Change Trust, Northern Ireland. £0.5m has already been received.	Charity Bank needs to restructure its capital base to meet the requirements of the new Basle III banking regulations as well as to provide for growth. The capital raising project has been revised and capital will be raised in two tranches - £4m in 2011 from current stakeholders of the bank and a further £16m over the next 4 years by targeting the growing market of social investors.
Renew maturing deposits of £20m; Raise further deposits of £20m.	Deposits raised in 2010, including amounts raised to replace maturing deposits which were repaid, totalled £30m. Liquid funds at year end in	The business plan for 2011 includes a target of £15m in fresh deposits with a further £30m in the years 2012-14.

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Trustees' Report (continued)

	excess of £20m are sufficient to meet the bank's prudential liquidity requirements and its business needs for the foreseeable future.	
Increase net loans by £15.6m.	The net drawn loan balance increased by £10.6m given increased caution arising from cuts in public expenditure. Gross loan disbursements during the year amounted to £15.1m and the balance is accounted for by early and scheduled repayments.	The increase in net drawn loans for 2011 is budgeted at £20.5m. The substantial loan pipeline at the beginning of the year and a steady level of loan enquiries give us the confidence that the target for the year will be met. Net increase in drawn loans for the remainder of the plan period is £27m.
As predicted, the low interest rate environment continued throughout 2010, resulting in low returns on our money market investments. The budgeted deficit for the year was £1.2m.	The actual operating loss for the year is £0.9m, lower than forecast. This was achieved by a combination of higher yield on our loan portfolio and a reduction in the costs achieved through a cost cutting programme initiated in the year.	The deficit for 2011 has been budgeted at less than £0.1m. This is on the assumption of sustained loan growth, a significant increase in the yield on the investment of surplus funds and continued containment of costs. The government spending cuts will result in significant deterioration in the financial situation of charities and social enterprises which make up the bulk of our borrowers. We have addressed this by providing enhanced support where it is required and it is our hope that the sector pulls through without significant damage. Our budget does not include any additional write-down for losses on account of bad loans, other than our normal latent loan loss provisions policy.

Management of the Bank

The Articles of Association empower the trustees to take what steps are necessary to achieve Charity Bank's objects and this includes making appropriate arrangements for the sound management of Charity Bank's business. This is done by delegating some of their powers to committees where appropriate. Management responsibilities are also delegated by the trustees to the Chief Executive who is authorised, together with the Nominations and Remunerations Committee, to establish an appropriate management structure.

The Board of trustees meets quarterly. The Board Credit Committee meets at least once a month with the Internal Credit Committee meeting more regularly. Other committees meet at least twice a year.

The terms of reference for the committees are as follows:-

Assets and Liabilities Committee – to advise the Board on ensuring that liquidity fits both the nature of the business and the regulator's requirements; management of financial risk; the maturity profile of the loan portfolio; the management of capital including responsibility for the bank's ICAAP document; un-lent balances and income, including lending/asset ratios; and investment policy.

Audit Committee – to examine management's process of ensuring appropriateness and effectiveness of systems and controls; examine the arrangements made by management to ensure compliance with requirements and standards under the regulatory system; oversee the functioning of the internal audit function; provide an interface between the board of trustees and the external auditors.

Credit Committee including the Internal Credit Committee – to consider all forms of credit risk; implement credit policy; review suitability of lending criteria, proposing amendments to the Board where appropriate; sanction, defer or decline all credit applications within delegated limits; recommend treasury counterparty limits to the Board; review all limits and commitments to assure performance within terms of sanction; create a watch list and agree action relating to delinquent loans and recommend provisions and write-offs as appropriate. An Internal Credit Committee, drawn from senior management, considers secured and unsecured lending proposals within pre-approved limits. This has enabled the bank to respond more quickly to smaller loan requests.

Nominations and Remunerations Committee – is responsible for board and executive succession and also executive remuneration.

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Trustees' Report (continued)

Operational Risk Management Committee – to review the risk management policy and processes; review Charity Bank's exposure to risk (real and potential) through operational issues, market developments and new products/services.

Executive Management Committee – to oversee the day-to-day management of Charity Bank and implement strategy and policy.

Although it does not form part of the governance structure of the Bank, the Board is advised in its work by a Northern Advisory Council on issues connected with the development and delivery of the Yorkshire Forward programme.

A Joint Consultative Forum provides an informal forum for the exchange of information and discussion of ideas to enable Charity Bank and the CAF family to collaborate where appropriate.

Trustees' responsibilities in relation to the financial statements

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

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the trustees must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare financial statements on a 'going concern' basis unless it is inappropriate to presume that the company will continue in business, as further discussed in note 1 to the financial statements.

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

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

Internal Control

The trustees have overall responsibility for ensuring that Charity Bank has an appropriate system of controls, financial and otherwise, in compliance with the Financial Services and Markets Act 2000. They are also responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the bank and which enable them to ascertain its financial position, and to ensure that the financial statements comply with the Charities Act 2006 and the Companies Act 2006. They are also responsible for safeguarding the assets of Charity Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The bank has in place a system of internal audit, which is carried out by an independent firm of auditors who report their findings to the bank's Audit Committee.

Risk Management Policy

The bank is committed to a policy to identify, monitor and manage the risks that might affect adversely the activities in which it is involved. In this context, risk is defined as the potential for loss, financial and/or reputational, inherent in the environment in which the organisation's activities take place or in the nature of the transactions themselves.

The trustees have been reviewing Charity Bank's risk assessment to meet the current requirements of Basel II and the associated Capital Requirements Directive. The Internal Capital Adequacy Assessment Process (ICAAP) is a tool used by the Board and management in assessing the financial risks which the bank is exposed to. The bank's ICAAP was reviewed by the FSA in April 2009 as part of their ARROW risk assessment process. The FSA did not identify any major deficiencies during their ARROW visit and the bank has largely completed the Risk Mitigation Programme.

The risks profile is under continuous review through the Operational Risk Management Committee and the Board of directors/trustees. Appropriate action is identified to mitigate the consequences of those risks. A description of the principal financial risks facing the bank is included in note 25 to the financial statements.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Trustees' Report (continued)

Reserves Policy

Charity Bank is required, under FSA regulations, to maintain adequate capital and reserves to underpin its banking activities. These requirements will guide Charity Bank's reserves policy. Charity Bank has incurred losses from its operations since inception and according to the business plans, it is estimated that losses will continue to be incurred until the end of 2011. As a charitable company limited by shares, and where the majority of shares are held by other charities, the trustees would like to build Charity Bank's reserves so that it is able to provide a financial return to the investing charities once adequate reserves have been built up to cover credit, liquidity and operational risks. While these factors will play a significant role in determining the level of reserves to be maintained, it is anticipated that a more detailed reserves policy will evolve as we grow and achieve sustainability.

Investment Powers, Policies and Performance

The trustees have delegated the task of advising on investment policy to the Assets and Liabilities Committee. Charity Bank offers beneficial loans to charities and organisations with charitable purpose. As a bank, we are expected to maintain a level of liquidity that will enable us to repay maturing deposits and draw-downs of loan commitments as they fall due. The bank has outsourced the management of its surplus liquidity to Royal London Asset Management (RLAM). Investment criteria set by the bank guide the investment of our funds by RLAM and these continue to follow the conservative approach adopted in the past, in terms of eligible counterparties, maturities and products in which surplus funds can be invested. During the year, the investment profile has been modified to accommodate the bank's regulatory requirement to invest its Liquid Asset Buffer (LAB) investments in specified assets.

Auditors

As far as each of the trustees are aware, at the date when this report was approved:

- there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware; and
- each of the trustees has taken all the steps they ought to have taken as a trustee to become aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S 418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, Deloitte LLP are deemed to have been re-appointed as auditors of the company.

Approved by the Board of trustees on 24 March 2011 and signed on their behalf.

Malcolm J Lynch
Joint Company Secretary
194 High Street, Tonbridge
Kent TN9 1BE

The Charity Bank Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARITY BANK LIMITED

We have audited the financial statements of The Charity Bank Limited for the year ended 31 December 2010 which comprise the statement of financial activities including other financing activities, the profit and loss account, the balance sheet and the cash flow statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Simon Hardy FCA
(Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

24 March 2011

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Statement of financial activities For the year ended 31 December 2010

	Restricted funds £'000	Un- restricted funds £'000	Total 2010 £'000	Total 2009 £'000
Incoming resources				
Incoming resources from generated funds				
Voluntary income				
Grants received – Cylch Capacity Building Investment Programme Fund	750	-	750	1,000
Building Change Trust Capital grant	-	500	500	-
Yorkshire Forward Fund – Capital grant	-	-	-	2,000
Other grants received	-	254	254	320
	750	754	1,504	3,320
Investment income	-	80	80	57
Incoming resources from charitable activities				
Income from banking operations	-	2,870	2,870	2,428
Other incoming resources				
Contributions to Founder Reserve	-	9	9	9
	-	9	9	9
Total incoming resources	750	3,713	4,463	5,814
Resources expended				
Charitable Activities				
Expenses of banking operations	354	3,718	4,072	4,685
Depreciation	-	29	29	27
Provision for bad and doubtful debts	-	210	210	(75)
Bad debts written off	-	77	77	55
	354	4,034	4,388	4,692
Governance costs	-	144	144	125
Total resources expended	354	4,178	4,532	4,817
Net incoming/(outgoing) resources	396	(465)	(69)	997
Fund balances brought forward at 1 January	1,325	9,101	10,426	9,429
Fund balances carried forward at 31 December	1,721	8,636	10,357	10,426
Other financing activities				
Long dated subordinated debt brought forward at 1 January	-	3,500	3,500	2,500
Long dated subordinated debt issued in the year	-	-	-	1000
Long dated subordinated debt carried forward at 31 December	-	3,500	3,500	3,500
Total capital resources available to fund charitable activities	1,721	12,136	13,857	13,926

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Profit and loss account

For the year ended 31 December 2010

	Note	2010	2009
		£'000	£'000
Interest receivable	2	2,653	2,274
Interest payable		(882)	(1,067)
Net interest income		<u>1,771</u>	<u>1,207</u>
Fees and commissions receivable		297	211
Operating income		<u>2,068</u>	<u>1,418</u>
Donations received		254	320
Net total income		<u>2,322</u>	<u>1,738</u>
Operating expenditure			
Expenses for banking operations	3	2,836	3,031
Governance costs	4	144	125
Depreciation	12	29	27
Provision for bad and doubtful debts	8	210	(75)
Bad debts written off	8	77	55
		<u>(3,296)</u>	<u>(3,163)</u>
Operating loss and loss on ordinary activities before and after taxation and result for the financial year		<u>(974)</u>	<u>(1,425)</u>
Profit and loss account balance brought forward		(6,707)	(5,282)
Profit and loss account balance carried forward		<u><u>(7,681)</u></u>	<u><u>(6,707)</u></u>

There are no recognised gains or losses other than as disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is required. All income and expenses are derived from continuing operations.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Balance Sheet As at 31 December 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
Assets					
Cash at bank			3,198		5,604
Loans and advances to banks / building societies	9		13,800		16,201
Loans and advances to customers	10		45,484		35,045
Debt securities	11		5,340		1,055
Tangible fixed assets	12		60		47
Prepayments and accrued income	13		274		286
Total assets			68,156		58,238
Liabilities					
Deposits by banks	14		50		50
Customer accounts	15		53,975		43,994
Accruals and deferred income	16		274		268
			54,299		44,312
Long-term subordinated loan notes	17		3,500		3,500
Called up share capital	18	6,122		6,122	
Donor Funds	19	12		12	
Endowment Fund - Founders Reserve	19	2,183		2,174	
Profit and loss account		(7,681)		(6,707)	
Shareholders' funds	19		636		1,601
Yorkshire Forward Reserve	19		7,500		7,500
Building Change Trust Reserve	19		500		-
Cylch Capacity Building Investment Programme Fund	19		1,721		1,325
Total funds			10,357		10,426
			68,156		58,238
Memorandum Items					
Commitments	21		13,298		5,065

Approved by the Board of trustees and authorised for issue on 24 March 2011 and signed on their behalf by:

George Blunden
Trustee

Alan Graham
Trustee

REGISTERED CHARITY NUMBER 1091648

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Cashflow Statement

For the year ended 31 December 2010

		2010		2009	
	Note	£'000	£'000	£'000	£'000
Net cash outflow from operating activities	23		(3,617)		(3,695)
Capital expenditure and financial investment					
Purchase of tangible fixed assets	12		(48)		(34)
Financing					
Receipt of capital grant from Building Change Trust Northern Ireland		500		-	
Receipt of Yorkshire Forward Fund		-		2,000	
Receipt of charitable funds		9		9	
Receipt of funds from long dated subordinated loan notes		-		1,000	
Receipt of restricted funds from Cylch		750		1,000	
			1,259		4,009
(Decrease)/increase in cash	23		(2,406)		280

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Notes to the Financial Statements For the year ended 31 December 2010

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom law and Accounting Standards and under the historical cost convention. They have also been prepared in accordance with the British Bankers' Association Statements of Recommended Practice (SORPs) and, where appropriate, 'Accounting and Reporting by Charities' Statement of Recommended Practice published in March 2005 and the special provisions of Statutory Instrument 2008 No. 410 Schedule 2 Part 1 Section A of the Companies Act 2006 relating to banking companies. The principal accounting policies adopted are described below and have been applied on a consistent basis in the current and prior year.

Going Concern

The bank's business activities, together with the factors likely to affect its future development, finances, performance and position are set out in the Chairman's Report, the Chief Executive's Report and the Trustees' Report. The financial position of the company, its cash flows and liquidity position are described in the Trustees' Report. The bank's objectives, policies and processes for managing its capital, risk management objectives and its exposures to credit risk and liquidity risk are set out in note 25.

The bank has considerable financial resources together with long term contracts and commitments of support from a number of sources, which are discussed in the Trustees' Report. As a consequence the trustees believe that the bank is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Based on a rolling three year plan which has been approved by the trustees and after making enquiries, the trustees have a reasonable expectation that the bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Income recognition

Interest and fee income is recognised in the profit and loss account and the Statement of Financial Activity on an accruals basis. Fees receivable which represent a return for services provided are credited to income when the related service is performed. Donations income is recognised in the period in which funds are received except where the funds received are for a specified period in which case the portion of donations which pertain to the current accounting period is taken to income and the balance amount included in liabilities as unearned income.

Financial instruments (note 25)

The company does not use derivative instruments.

Financial instruments are not held for trading purposes and none are used for hedging purposes.

Segmental information

In the opinion of the trustees, Charity Bank carries on one principal class of business, banking, and operates almost entirely within one geographical segment, the United Kingdom. Deposits are drawn from throughout the United Kingdom together with a small amount of funds from abroad. Charity Bank lends in every country and region of the United Kingdom, with a small percentage committed in support of UK non-governmental organisations working internationally.

Pension costs

Charity Bank makes contributions to the Pensions Trust in respect of defined contribution personal pension arrangements. However, one of the plans offered by the Pensions Trust, the Growth Fund, offers guarantees to its members as to capital and pensions. As a participating employer, Charity Bank may be liable to fund any shortfalls in the scheme if it decides to withdraw from the scheme. The Growth Plan is fully funded on the Minimum Funding Requirement basis, though there continues to be a small shortfall on the Full Buy-out Basis. Charity Bank has no plans to withdraw from the scheme and therefore a liability has not accrued as at the Balance Sheet date. We have been informed that the trustees of the Fund have put in place measures which will reduce and eventually eliminate the shortfall in the Fund.

The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. No provision has been made to account for any potential shortfall in the fund attributable to the Growth Plan. Differences between contributions payable and the year end contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Notes to the Financial Statements For the year ended 31 December 2010

1 Accounting policies – Pension costs (continued)

The amount of contributions upon which the benefits are calculated are 17.00% of basic salary. Charity Bank contributes 11.33% and the employee 5.67%.

Provisions for bad and doubtful debts

Specific provision is made against loans where, in the opinion of the board, the loan is not fully recoverable.

In addition, Charity Bank maintains a latent loan loss provision in relation to its drawn loan balances. The method of calculating this provision relates potential loss to the risk to which the bank is exposed in respect of each of its outstanding loans. Risk assessment is based on the bank's credit grading system which grades each loan into five grades of risk. In addition, the bank recognises the value of security available against loan accounts.

Governance costs

These include costs incurred in connection with meetings of the Board of trustees and Committees of Charity Bank, fees paid to the statutory auditors, internal auditors and legal fees where they are not for services provided in relation to our lending or deposit taking activities.

Tangible fixed assets

Fixed assets are recorded at cost less provision for any impairment. Fixed assets below £1,000 are charged as expense in the year of purchase. Depreciation of tangible fixed assets is provided on a straight line basis over an estimated useful life. The useful life of the assets is estimated as follows:

Equipment	3 years
Leasehold improvements	3 years

Investments

Securities intended for use on a continuing basis in Charity Bank's activities are classified as fixed asset investment securities.

The cost (less impairment) of the debt securities held for investment purposes is adjusted for the systematic amortisation of premiums or discounts over the period to maturity. The amortisation of the premiums or discounts is included in interest income in the profit and loss account.

Fund accounting

Shareholders' funds are unrestricted and available for use at the discretion of the trustees in furtherance of the objectives of the bank. The endowment fund arose at the time of the transfer of charitable undertaking from Charities Aid Foundation (CAF) to Charity Bank on 25 April 2002. As there are no restrictions on the use of these funds, the trustees consider it appropriate to include them as part of shareholders' funds.

The Cylch Capacity Building Investment Programme Fund has been set up to underwrite the sustainable development of full members of Cylch. These funds are not currently included in the bank's regulatory capital calculation (see note 19).

Resources expended

All expenditure is accounted for on an accrual basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Other financing activities

Other financing activities are presented outside the Statement of Financial Activities, and together these two statements show the finance available to Charity Bank to pursue its charitable objectives.

The Charity Bank Limited
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010
Notes to the Financial Statements (Continued)
As at 31 December 2010

2	Interest receivable		
		2010	2009
		£'000	£'000
	Interest receivable and similar income arising from investments	80	57
	Other interest receivable and similar income	2,573	2,217
		<u>2,653</u>	<u>2,274</u>
		<u><u>2,653</u></u>	<u><u>2,274</u></u>
3	Expenses for banking operations		
		2010	2009
		£'000	£'000
	Staff costs (note 5)	1,748	1,616
	General costs	435	550
	IT costs	106	74
	Financial costs	279	505
	Marketing costs	250	289
	FSCS levy	18	(3)
		<u>2,836</u>	<u>3,031</u>
		<u><u>2,836</u></u>	<u><u>3,031</u></u>
4	Governance costs		
		2010	2009
		£'000	£'000
	Trustee expenses	3	3
	Internal audit fees	43	42
	Fees-Statutory auditor (note 6)	32	32
	Fees non-audit services (note 6)	11	7
	Legal fees	55	41
		<u>144</u>	<u>125</u>
		<u><u>144</u></u>	<u><u>125</u></u>
5	Staff and other costs		
		2010	2009
		£'000	£'000
	Staff costs		
	Wages and salaries	1,416	1,288
	Social security costs	143	139
	Pension costs	86	95
	Other costs	103	94
		<u>1,748</u>	<u>1,616</u>
		<u><u>1,748</u></u>	<u><u>1,616</u></u>

Employees

The average number of employees during the year was 31 (2009: 34) all employed in retail banking. The trustees consider the mission of Charity Bank will be best achieved if the staff work together as a team and that the reward structure should

The Charity Bank Limited
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010
Notes to the Financial Statements (Continued)
As at 31 December 2010

5 Staff and other costs (continued)

reflect this. There is a fixed link between the highest and lowest paid member of staff. Within a cap of nine times, the current ratio is approximately six times.

The number of staff whose total emoluments during the year (which includes salary, employer's National Insurance and pension contributions and applicable private health insurance premiums) exceeded £60,000 is:

	2010	2009
	£'000	£'000
£60,000 - £70,000	1	4
£90,000 - £100,000	1	1
£100,000 - £120,000	1	1
	<u>1</u>	<u>1</u>

Pension contributions were made to The Pension Trust or other approved pension schemes in respect of the employees included above.

	2010	2009
	£'000	£'000
The value of this contribution was:	31	42
	<u>31</u>	<u>42</u>

Trustees' emoluments

In 2010 three trustees (2009: three) were reimbursed expenses totalling £3k (2009: £3k), relating primarily to travel expenses incurred in attending Board meetings and events arranged by the Bank. No other emoluments were paid to trustees during the year.

6 Auditors' remuneration

Auditors' remuneration, included under governance costs, consists of the following:

	2010	2009
	£'000	£'000
Total audit fees payable to the company's auditors for the audit of the company's annual accounts	32	32
	<u>32</u>	<u>32</u>
Total non audit fees - other services – reporting to the Department for Business Innovation and Skills ('BIS') in respect of the Yorkshire Forward revenue grant, and Cylch and providing professional assessment regarding the treatment of capital grant received from the Building Change Trust.	11	7
	<u>11</u>	<u>7</u>

7 Tax on loss on ordinary activities

Charity Bank is not subject to UK corporation tax by virtue of its charitable status and to the extent that its income and gains are applied to its charitable objectives.

The Charity Bank Limited
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010
Notes to the Financial Statements (Continued)
As at 31 December 2010

8 Provision for bad and doubtful debts

Specific provision

	2010	2009
	£'000	£'000
Specific provision at 1 January	50	104
Charge to profit and loss account	27	-
Release in respect of bad debts written off	(77)	(54)
	<u> </u>	<u> </u>
Specific provision at 31 December	<u> </u>	<u> </u>

Latent loan loss provision

	2010	2009
	£'000	£'000
Provision at 1 January	732	753
Charge/(credit) to profit and loss account	260	(21)
	<u> </u>	<u> </u>
Provision at 31 December	<u> </u>	<u> </u>

Total provision

	2010	2009
	£'000	£'000
Total provision at 1 January	782	857
Total charge/(credit) to profit and loss account	210	(75)
	<u> </u>	<u> </u>
Total provision at 31 December	<u> </u>	<u> </u>

9 Loans and advances to banks and building societies

	2010	2009
	£'000	£'000
Remaining maturity of loans and advances to banks		
1 day to 8 days	-	4,000
Over 8 days to 3 months	-	12,201
Over 3 months*	13,800	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

* These are held in the form of Certificates of deposit which can be realised within 3 days.

The Charity Bank Limited
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010
Notes to the Financial Statements (Continued)
As at 31 December 2010

10 Loans and advances to customers

	2010	2009
	£'000	£'000
Remaining maturity of other loans and advances		
Over 8 days to 3 months	596	1,248
Over 3 months to 6 months	350	1,381
Over 6 months to 1 year	1,095	1,816
Over 1 year to 5 years	3,215	10,152
Over 5 years	41,214	20,980
Loans in arrears	6	250
	<u>46,476</u>	<u>35,827</u>
Specific provision	-	(50)
Latent loan loss provision	(992)	(732)
	<u>45,484</u>	<u>35,045</u>

One loan which was identified as non-performing in 2008 was liquidated during the year. The total deficit on realisation from this account was £77,000 which has been written off as a bad debt in the profit and loss account. No other specific provision is included in the accounts for the year (2009: £50,000 against the loan which was written off during the current year).

11 Debt securities

Amounts due beyond one year:	2010		2009	
	Book Value	Market Value	Book Value	Market Value
Value	£'000	£'000	£'000	£'000
UK government, listed on recognised UK exchange	2,340	2,359	1,055	1,123
European Investment Bank FRN	3,000	3,000	-	-
	<u>5,340</u>	<u>5,359</u>	<u>1,055</u>	<u>1,123</u>
Unamortised premiums on investment securities	<u>183</u>		<u>55</u>	
		Cost	Premium	Book
		£'000	Amortisation	value
			£'000	£'000
At 1 January 2010		1,131	(76)	1,055
Additions		5,353		5,353
Disposals		(1,043)		(1,043)
Amortisation			(25)	(25)
At 31 December 2010		<u>5,441</u>	<u>(101)</u>	<u>5,340</u>

The Charity Bank Limited
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010
Notes to the Financial Statements (Continued)
As at 31 December 2010

12 Tangible fixed assets

	Equipment	Leasehold improvements	Total
Cost			
At 1 January 2010	355	14	369
Additions	48	-	48
Disposals	(12)	-	(12)
	<u>391</u>	<u>14</u>	<u>405</u>
At 31 December 2010	<u><u>391</u></u>	<u><u>14</u></u>	<u><u>405</u></u>
Depreciation			
At 1 January 2010	308	14	322
Charged in year	29	-	29
On disposals	(6)	-	(6)
	<u>331</u>	<u>14</u>	<u>345</u>
At 31 December 2010	<u><u>331</u></u>	<u><u>14</u></u>	<u><u>345</u></u>
Net book value			
At 31 December 2010	<u>60</u>	<u>-</u>	<u>60</u>
At 31 December 2009	<u><u>47</u></u>	<u><u>-</u></u>	<u><u>47</u></u>

13 Prepayments and accrued income

	2010	2009
	£'000	£'000
Amounts due within one year:		
Prepayments and accrued income	274	286
	<u>274</u>	<u>286</u>

14 Deposits by banks

	2010	2009
	£'000	£'000
Repayable:		
Over 6 months to 1 year	-	-
Over 1 year to 5 years	50	50
	<u>50</u>	<u>50</u>

15 Customer accounts

	2010	2009
	£'000	£'000
Repayable:		
On demand	11	-
Under 3 months	16,173	16,188
Over 3 months to 6 months	8,396	16,337
Over 6 months to 1 year	1,865	5,125
Over 1 year to 5 years	27,530	6,344
	<u>53,975</u>	<u>43,994</u>

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As at 31 December 2010

16 Other liabilities and accruals and deferred income

	2010	2009
	£'000	£'000
Amounts due within one year:		
Other liabilities	-	-
	<u> </u>	<u> </u>
Accruals and deferred income	274	268
	<u> </u>	<u> </u>

Accruals and deferred income include an amount of £35,000 in respect of the bank's share of the Financial Services Compensation Scheme ('FSCS') management expenses levies for the 2010/11 and 2011/12 scheme years (2009: £30,000 for the scheme years 2009/10 and 2010/11).

The FSCS scheme has borrowed from HM Treasury to fund the compensation costs associated with Bradford & Bingley, Heritable Bank, Kaupthing Singer & Friedlander, Landsbanki 'Icesave' and London Scottish Bank plc. Only after the interest only period on these borrowings, which is expected to end in September 2011, will a schedule for repayment of any remaining principal outstanding (after recoveries) on the borrowings be agreed between the FSCS and HM Treasury. It is expected that, from that point, the FSCS will begin to raise compensation levies (principal repayments). No provision has been made for these levies as the amount is not yet known and is unlikely to be determined before 2011.

17 Long term subordinated loan notes

These loans were initially for a period of 10 years and carry fixed interest at the rate of 4% p.a. In the event of Charity Bank's liquidation before these loans mature, the repayment of capital and outstanding interest will rank behind ordinary creditors. Charity Bank is entitled to include these loans as eligible capital for capital adequacy calculations, as long as the remaining maturity on the loans exceeds five years, after which the amount of eligible capital is calculated on a sliding scale based on the remaining maturity of the loan notes. During 2010 Charity Bank converted existing long term subordinated unsecured loan notes of £0.5m to evergreen notes and extended maturity by one year on a further £0.5m, on the same terms as the existing loan notes. The remaining maturity on all the loans exceeded 5 years.

18 Called up share capital

	2010	£'000	2009	£'000
	Number		Number	
Allotted, issued and fully paid:				
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000
"A" shares of £1 each	11	-	7	-
Non-cumulative				
B Preference shares of £1 each	4,622,000	4,622	4,622,000	4,622
Non-cumulative				
C preference shares of £1 each	500,000	500	500,000	500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	6,122,011	6,122	6,122,007	6,122
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year, 4 A shares of £1 each (2009: nil) were issued at par for cash, subscribed and paid up.

No dividend has been declared (2009: nil).

None of the shares are equity shares.

Ordinary shares carry one vote each. Upon a winding up ordinary shareholders will only be paid after repayment of capital to non-cumulative preference shareholders.

"A" shares carry one vote each but are not entitled to a share of surplus assets in a winding up. "A" shareholders are not entitled to receive dividends.

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18 Called up share capital (continued)

Non-cumulative B preference shares may only vote on resolutions to appoint and remove non-connected trustees and on a resolution at a general meeting for the winding up of the company and on the election of a chairman at such a meeting or a motion to adjourn such a meeting. Non-cumulative C preference shares may only vote on a resolution at a general meeting for the winding up of the company and on the election of a chairman at such a meeting or a motion to adjourn such a meeting. In a winding up non-cumulative preference shareholders have priority for payment of their capital ahead of ordinary shareholders.

B Non-cumulative preference shareholders are entitled to dividends at the same rate as ordinary shareholders (which may not exceed 10%). Non-cumulative C preference shareholders are not entitled to dividends.

Amendments to certain articles of the Articles of Association require separate class consents.

19 Reconciliation of total funds

	At 31 December 2009 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 December 2010 £'000
Called up share capital	6,122	-	-	6,122
Donor funds	12	-	-	12
Endowment funds	2,174	9	-	2,183
Profit and loss account	(6,707)	3,204	(4,178)	(7,681)
	<u>1,601</u>	<u>3,213</u>	<u>(4,178)</u>	<u>636</u>
Shareholders' funds				
Yorkshire Forward Fund	7,500	-	-	7,500
Building Change Trust Reserve	-	500	-	500
	<u>9,101</u>	<u>3,713</u>	<u>(4,178)</u>	<u>8,636</u>
Total unrestricted funds				
Restricted funds	<u>1,325</u>	<u>750</u>	<u>(354)</u>	<u>1,721</u>
Total funds	<u>10,426</u>	<u>4,463</u>	<u>(4,532)</u>	<u>10,357</u>

The movement in shareholders' funds comprises the loss for the financial year of £974,000 (2009: £1,425,000), new share capital issued of £4 (2009: £nil) and donations received by the endowment funds of £9,000 (2009: £9,000).

Unrestricted donor funds arise principally from depositors who opt to donate the interest earned on their deposit accounts to Charity Bank's Founder Reserve. This option is made available to them in the application form they complete to open the account. The endowment fund arose at the time of the transfer of charitable undertaking from Charities Aid Foundation (CAF) to Charity Bank on 25 April 2002. It is a permanent endowment and there are no further restrictions upon its use.

Restricted funds were received from Cylch Wales Community Recycling Network towards providing grant and loan financing and investment readiness support to the members of Cylch to enable them to develop sustainable solutions to issues of waste management and recycling. The programme will provide funds of up to £4m over three years.

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20 Analysis of group assets and liabilities by funds

	Restricted funds £'000	Endowment funds £'000	Designated funds £'000	General funds £'000	Total £'000
Fund balance at 31 December 2010 is represented by:					
Cash	-	-	12	3,186	3,198
Market investments	-	-	-	13,800	13,800
Loans and advances	1,721	2,183	-	41,580	45,484
Debt securities	-	-	-	5,340	5,340
Tangible fixed assets	-	-	-	60	60
Current assets	-	-	-	274	274
Long term subordinated loans	-	-	-	(3,500)	(3,500)
Deposits	-	-	-	(54,025)	(54,025)
Other current liabilities	-	-	-	(274)	(274)
	1,721	2,183	12	6,441	10,357
	1,721	2,183	12	6,441	10,357

21 Memorandum items

Commitments: comprises amounts yet to be drawn under loan agreements issued with borrowing customers or where formalities, e.g. completion of security arrangements, have yet to be finalised.

22 Founder

Charity Bank was founded by CAF as part of its mission to increase the financial resources available for charity. All of Charity Bank's issued ordinary share capital of £1 million and £1.5 million of the issued non-cumulative preference shares are owned by Charities Aid Foundation (CAF). However, Charity Bank's results are not consolidated with those of CAF because the rights of the ordinary shares do not permit CAF to exercise control over the activities, strategy or direction of the bank.

23 Cash flow statement

Reconciliation of operating loss before taxation to net outflow from operating activities

	2010 £'000	2009 £'000
Operating loss before taxation	(974)	(1,425)
Decrease in prepayments and accrued income	12	60
Increase/(decrease) in accruals and deferred income	6	86
Expenses of banking operations -Cylch	(354)	(587)
Increase/(decrease) in loan loss provision	210	(75)
Decrease in other liabilities	-	(401)
Fixed asset depreciation	29	27
Loss on disposal of fixed assets	6	-
Amortisation of debt securities	25	20
	(1,040)	(2,295)
Net cash outflow from trading activities	(1,040)	(2,295)
Net increase in debt securities	(4,310)	-
Net decrease/(increase) in loans and advances to banks and customers	(8,248)	(10,345)
Net (decrease)/increase in deposits from banks and customers	9,981	8,945
	(3,617)	(3,695)
Net cash outflow from operating activities	(3,617)	(3,695)

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23 Cash flow statement (continued)

	At 31 December 2009 £'000	Cash flow £'000	At 31 December 2010 £'000
Cash balances	5,604	(2,406)	3,198

24 Related party transactions

Trustees' emoluments are disclosed in note 5. There were no other transactions with related parties during the year (2009: none)..

25 Financial instruments - Interest rate risks

Charity Bank reduces its exposure to interest rate risk by maintaining a clear positive differential between interest paid (if any) on deposits and interest charged on loans made. It reserves the right to adjust rates to borrowers to preserve the differential. The following assets and liabilities are analysed in time bands according to the maturity date.

As at 31 December 2010	Next day £'000	Up to 3 months £'000	3 – 6 months £'000	6 months to 1 year £'000	1- 5 years £'000	Over 5 years £'000	Non-int. bearing £'000	Total £'000
Assets								
Cash at bank	3,198	-	-	-	-	-	-	3,198
Market investments	-	-	10,000	1,800	2,000	-	-	13,800
Loans and advances to customers	6	595	350	1,095	3,216	41,214	(992)	45,484
Debt securities	-	-	-	-	5,340	-	-	5,340
Tangible fixed assets	-	-	-	-	-	-	60	60
Prepayments and accrued income	-	-	-	-	-	-	273	273
	<u>3,204</u>	<u>595</u>	<u>10,350</u>	<u>2,895</u>	<u>10,556</u>	<u>41,214</u>	<u>(659)</u>	<u>68,155</u>
Liabilities								
Deposits by banks	-	-	-	-	50	-	-	50
Customer accounts	11	15,710	8,932	1,303	28,019	-	-	53,975
Accruals and deferred income	-	273	-	-	-	-	-	273
Long-term subordinated loan notes	-	-	-	-	-	3,500	-	3,500
Shareholders' funds	-	-	-	-	-	-	636	636
Yorkshire Forward Reserve	-	-	-	-	-	-	7,500	7,500
Buildings Change Trust Reserve	-	-	-	-	-	-	500	500
Cylch Capacity Building Investment Programme Fund	-	-	-	-	-	-	1,721	1,721
	<u>11</u>	<u>15,983</u>	<u>8,932</u>	<u>1,303</u>	<u>28,069</u>	<u>3,500</u>	<u>10,357</u>	<u>68,155</u>
Interest rate sensitivity gap	<u>3,193</u>	<u>(15,388)</u>	<u>1,418</u>	<u>1,592</u>	<u>(17,513)</u>	<u>37,714</u>	<u>(11,016)</u>	<u>-</u>

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25 Financial instruments - Interest rate risk (continued)

As at 31 December 2009	Next day £'000	Up to 3 months £'000	3 – 6 months £'000	6 months to 1 year £'000	1 -5 years £'000	Over 5 years £'000	Non-int. bearing £'000	Total £'000
Assets								
Cash balances	5,604	-	-	-	-	-	-	5,604
Loans and advances to banks/building societies	-	16,201	-	-	-	-	-	16,201
Loans and advances to customers	250	1,248	1,381	1,816	10,152	20,980	(782)	35,045
Debt securities	1,055	-	-	-	-	-	-	1,055
Tangible fixed assets	-	-	-	-	-	-	47	47
Prepayments and accrued income	-	-	-	-	-	-	286	286
	<u>6,909</u>	<u>17,449</u>	<u>1,381</u>	<u>1,816</u>	<u>10,152</u>	<u>20,980</u>	<u>(449)</u>	<u>58,238</u>
Liabilities								
Deposits by banks	-	-	-	-	50	-	-	50
Customer accounts	-	16,188	16,337	5,125	6,344	-	-	43,994
Other liabilities	-	268	-	-	-	-	-	268
Accruals and deferred income	-	-	-	-	-	3,500	-	3,500
Long-term subordinated loan notes	-	-	-	-	-	-	1,601	1,601
Shareholders' funds	-	-	-	-	-	-	7,500	7,500
Yorkshire Forward Reserve	-	-	-	-	-	-	1,325	1,325
Cylch Capacity Building Investment Programme Fund	-	-	-	-	-	-	-	-
	<u>-</u>	<u>16,456</u>	<u>16,337</u>	<u>5,125</u>	<u>6,394</u>	<u>3,500</u>	<u>10,426</u>	<u>58,238</u>
Interest rate sensitivity gap	<u>6,909</u>	<u>993</u>	<u>(14,956)</u>	<u>(3,309)</u>	<u>3,758</u>	<u>17,480</u>	<u>(10,875)</u>	<u>-</u>

Liquidity Risk

Charity Bank is exposed to liquidity risk. However, the liquidity policy approved by the Board on the recommendation of the Assets and Liabilities Committee details Charity Bank's approach to mitigating this risk. The policy is reviewed quarterly by the Assets and Liabilities Committee and at least annually by the Board.

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25 Liquidity risk (continued)

The liquidity policy requires that sufficient high quality liquid assets are held in a form and at a level which reflects prudent banking practice and regulatory criteria to meet fully and promptly all deposits and liabilities as they mature under normal and abnormal circumstances. In particular, liquid assets in approved investments are held to cover the bank's assessment of its liquid asset buffer in line with the new liquidity regulations which were implemented during the year. The day to day management of the bank's liquid assets has been outsourced to Royal London Asset Management.

Currency profile

As at the year end, Charity Bank was not exposed to foreign exchange risk.

Fair values

Set out below is a comparison of all Charity Bank's financial instruments by category. Market values have been used to determine fair values in the case of UK government stock included within debt securities. Loans and advances to bank's fair values are as book values.

Non-trading book	2010		2009	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets				
Loans and advances to banks	-	-	16,201	16,201
Market investments	13,800	13,800	-	-
Debt securities	5,340	5,359	1,055	1,123
	<u>19,140</u>	<u>19,159</u>	<u>17,256</u>	<u>17,324</u>

Instruments held for trading

None of Charity Bank's financial instruments are held for trading purposes and no trading book is held.

Hedging

Financial instruments are not held for hedging purposes.

Market price risk

Charity Bank has no significant exposure to market price risk. Market investments consist of short maturity certificates of deposit with highly rated banks. Debt securities consist of UK gilts and notes issued by the European Investment Bank.

It is Charity Bank's policy to hold investment securities to redemption at par.

Credit risk

Charity Bank is exposed to credit risk, which is the risk that counterparties will not be able to meet their obligations as they fall due. Charity Bank is exposed to both retail credit risk, through loans and advances to customers, and wholesale credit risk, via treasury operations. Money market placements are made with banks and building societies. UK Government stock and other approved investments are held for managing the bank's liquid asset buffer.

All loan applications are assessed with reference to Charity Bank's lending policy, including the use of a credit grading model. Wherever possible, it obtains security in the form of a charge on the assets of the borrower to cover the full value of the loan. Credit risk is also managed through continuous engagement with borrowers. Charity Bank maintains a latent loan loss provision for unidentified credit risks as well as specific provision against loans, where it is doubtful of recovering the full amount outstanding. Changes to the policy are approved by the Board, and the approval of loan applications within specified limits is delegated to the Credit Committees.

Money market transactions are with a range of counterparties approved by the Board upon the recommendation of the Credit Committee. Each counterparty has a credit limit set by the Board based upon advice from the Credit Committee which is fixed in relation to its credit rating as assessed by reputable rating agencies as tempered by management knowledge and soundings. Charity Bank follows a low risk policy in relation to its treasury activities and only places with counterparties with the highest credit ratings.

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26 Shareholders of Charity Bank at 31 December 2010

Ordinary shares

CAF Nominees Limited

Non-Cumulative B Preference shares

CAF Nominees Limited

Tudor Trust

CAF Nominees Limited

(as nominees for MB Trust)

CAF Nominees Limited

(as nominees for Serve All Trust)

Royal Exchange Trust Company Limited

(as nominees for the Nuffield Foundation)

The Baring Foundation

National Council for Voluntary Organisations

The Northern Rock Foundation

The Wates Foundation Limited

The LankellyChase Foundation

The Community Foundation for Northern Ireland

DB Microcredit Development Fund

Esmée Fairbairn (Nominee) Limited

(as nominees for Esmée Fairbairn Foundation)

The Phillips Fund

The Prairie Trust

The Trust for Education

The Vodafone Foundation

Mercers Charitable Foundation

RBS Group Microfinance Funds

Non-Cumulative C Preference shares

Barclays Bank PLC

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TRUSTEES, COMMITTEES AND ADVISERS

Registered Office

194 High Street Tel: 01732 774040
 Tonbridge Fax: 01732 774069
 Kent TN9 1BE
 Email: enquiries@charitybank.org
 Website: www.charitybank.org
Registered Company Number 4330018
Registered Charity Number 1091648
FSA Number 207701

Auditors

Deloitte LLP
 Chartered Accountants and Statutory
 Auditors, London, UK

Principal Bankers

Co-operative Bank PLC
 Chamber Street
 London E1 8BG

Investment Managers

Royal London Asset Management
 55 Gracechurch Street
 London EC3V 0RL

Solicitors

Bates, Wells & Braithwaite LLP
 2-6 Cannon St
 London EC4M 6YH

Rollitts
 Rowntree Wharf

Navigation Road
 York YU1 9WE

Joint Company Secretaries

Malcolm J Lynch Suri Ramanathan

Trustees

David W Clark (Chair)*/**
 George Blunden (Chair)***
 Gordon Beesley Ann Cairns
 Peter Clarke** Andrew Davies ****
 Alan Graham**** Paul J Harbard**
 Sara Llewellyn**** John Low *****
 Martin Mosley Andy Munro****
 Mary Phibbs**** Julie Saunders
 The Rt. Hon The Earl Cairns CBE CVO*/*****
 Chris Vermont****
 * denotes a connected Trustee
 ** retired 19 May 2010
 *** appointed 30 April 2010
 **** appointed 13 August 2010
 ***** appointed 2 December 2010 (subject to FSA approval)
 ***** retired 2 December 2010

Audit Committee

Paul Harbard - Chair (retired 19 May)
 Alan Graham - Chair (appointed 2 December)
 Ian Cobbold ^
 George Blunden
 Jolyon Larkman^ (resigned 7 July)
 Andy Munro (appointed 2 December)
 Julie Saunders

Credit Committee

Peter Clarke - Chair (retired 19 May)
 Gordon Beesley - Chair Naomi Kingsley^
 Martin Mosley Sara Llewellyn
 Victoria Hornby ^ Chris Vermont (resigned 13 Aug)

Operational Risk Management Committee

Malcolm Hayday - Chair Ian Cobbold^
 Andrew Aspital Brian Knott
 Geoff Burnand Caroline Mason
 Suri Ramanathan Chris Evans

Nominations and Remunerations Committee (established on 19 May 2010)

Ann Cairns - Chair Martin Mosley George Blunden

^ denotes co-opted members

Executive Management Committee

Malcolm Hayday - Chair
 Andrew Aspital
 Geoff Burnand
 Chris Evans
 Brian Knott
 Caroline Mason
 Suri Ramanathan

Assets & Liabilities Committee

Chris Vermont - Chair (apptd 8 Sept)
 David W Clark (retired 19 May)
 George Blunden
 Margaret Delman ^ (apptd 3 Nov)
 Jolyon Larkman^ (apptd 8 Sept)
 Stephen Mahoney ^ (resigned 30 Apr)
 Malcolm Hayday
 Caroline Mason

Northern Advisory Council

Malcolm Hayday - Chair
 Felicity Everiss
 Alice Faure Walker (resigned 18 May)
 Sally-Anne Greenfield (resigned 2 Dec)
 Howard Kew
 Malcolm Lynch
 Martin Mosley
 Judy Robinson
 Helen Thomson
 Eva Varga
 Danielle Walker Palmour

Charity Bank is an authorised deposit taker under the Financial Services & Markets Act 2000. Charity Bank is an independent member of the Charities Aid Foundation (CAF) family.