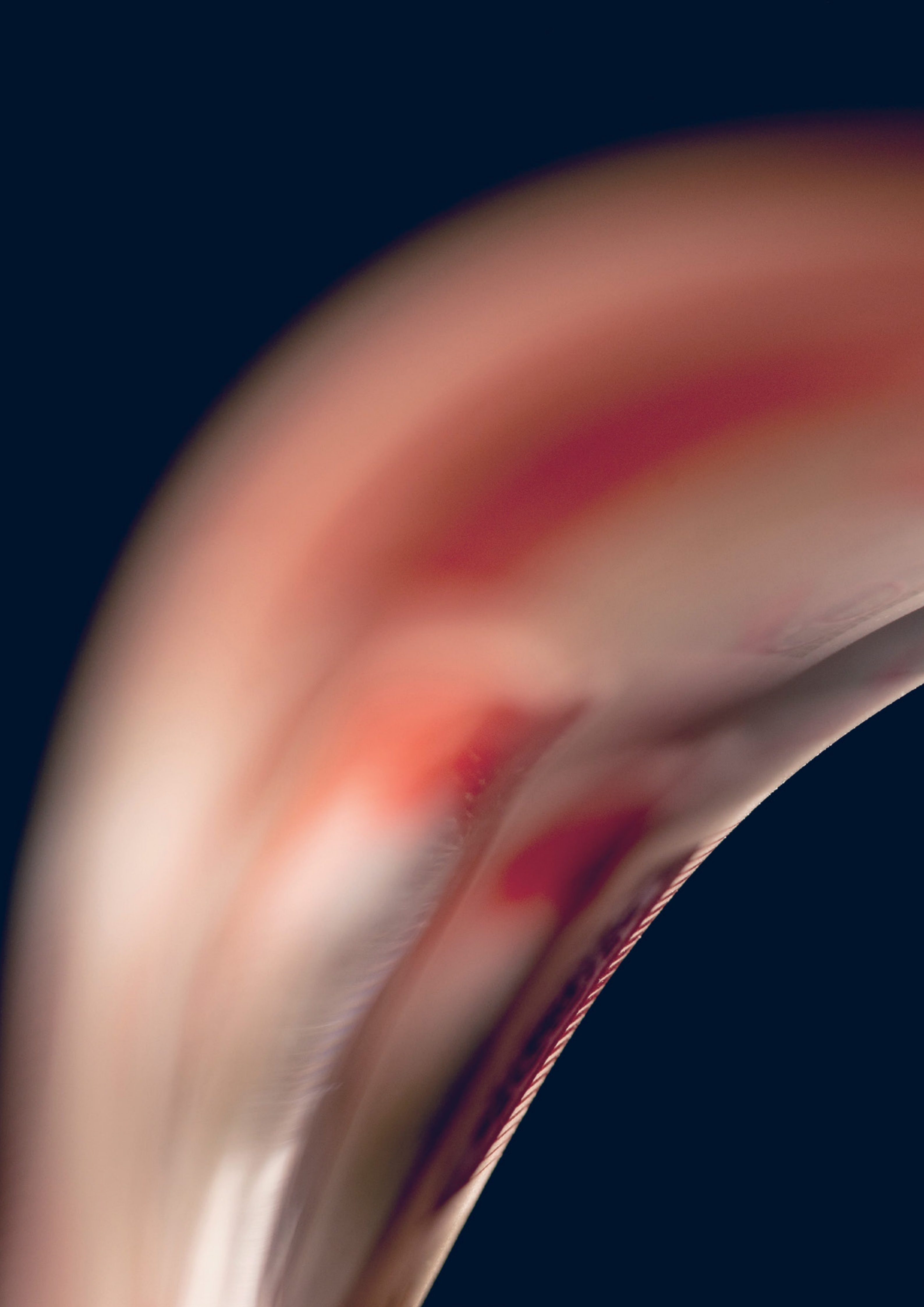
Bank of England

Annual Report and Accounts

1 March 2024–28 February 2025



Bank of England

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1 March 2024 to 28 February 2025

Presented to Parliament by the Chief Secretary to the Treasury
by Command of His Majesty

The contents of this Report encompass the requirements of Section 4 of the Bank of England Act 1998, and include: (1) a report by the Court of Directors (Court) on the matters which it reviews, monitors or otherwise considers in the performance of its oversight functions (S4(2)(a)); (2) a report by Court on the activities of the Financial Policy Committee of the Bank (S4(2)(aa)); (3) a copy of the statements for the year prepared under section 7(2) and 7(2A) and the report of the Bank's auditors on them (S4(2)(b)); (4) a statement of the rates at which Non-executive Directors of the Bank have been remunerated (S4(4)(a)); and (5) a statement of the Bank's objectives and strategy for the next year, as determined by Court (S4(4)(b)).

The Bank, in its capacity as the Prudential Regulation Authority, has published a separate report as required by paragraph 19 of Schedule 1ZB of the Financial Services and Markets Act 2000 as amended by the Financial Services and Markets Act 2023. The Bank has also published a separate report, as required by section 203B of the Banking Act 2009, paragraph 33 of Schedule 17A of the Financial Services and Markets Act 2000 as amended by the Financial Services and Markets Act 2023 and Regulation 25 of the Central Counterparties (Amendment, etc, and Transitional Provision) (EU Exit) Regulations 2018/1184, on its supervision of Financial Market Infrastructures.

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Statement by the Chair of Court

David Roberts
Chair of Court

The Bank's enduring mission is to 'promote the good of the people of the United Kingdom by delivering financial and monetary stability'. Now, more than ever, it is vital the Bank delivers its mission, given significant international uncertainty and the Government's priority of ensuring growth in the UK economy.

As an open economy the UK faces challenges in a changing world – including developments in global trading relationships and artificial intelligence (AI) – but the changing world also presents opportunities. Financial and monetary stability is the critical foundation that enables government, businesses and individuals to invest and drive growth. It is therefore critical that the Bank is laser-focused on delivering for today, as well as ensuring we have the talent, capabilities and culture necessary to deliver in the future. Alongside the focus on delivering its statutory objectives, the Bank has embarked on a significant, multi-year transformation of all aspects of its operations. The ability to simultaneously deliver on our objectives and significant change reflects the dedication and commitment of the Bank's leadership and staff, to whom I express deep thanks.

Delivering our mission

Inflation has fallen back from its highs earlier this decade, but its path continues to be sensitive to external factors. The Court-commissioned report by Dr Ben Bernanke on forecasting in times of uncertainty, published last year, set out recommendations for the Bank to help it modernise and future-proof its approach to forecasting and monetary policy communications. Court welcomes the Bank's commitment to delivering on Dr Bernanke's report as part of its strategic investment priorities for the coming years.

The financial system is also sensitive to external developments and uncertainty. The progress made in ensuring the banking system has sufficient capital and liquidity has allowed the system to withstand the significant economic shocks seen since the financial crisis and continue to support businesses and individuals. However, the financial system is more than banks, and financial stability is increasingly dependent on understanding non-bank finance – as was demonstrated in the 2022 LDI episode. Two highlights this year have been the

Bank's first stress test of system-wide exploratory scenario – a world-leading exercise that helps us understand risks and resilience – and the launch of new tools for non-banks that can be used in times of market dysfunction.

Achieving the Bank's primary objective of maintaining a stable financial system is the most important way that we can support UK growth and competitiveness. But the Bank has new secondary objectives that put added impetus on ensuring that it is thinking about how it can support growth in the way that it goes about meeting its primary objectives for microprudential and financial market infrastructure stability. In July 2024, Court welcomed its Independent Evaluation Office's review of the PRA's approach to its new secondary objective, which highlighted the positive steps taken and constructive recommendations to ensure it is set up for success.

Transforming our operations

The Bank has embarked on a transformation programme to ensure it has the operating capabilities required to deliver for the future. This covers all areas of the Bank's operations, including data, technology, location strategy, internal efficiency and, critically, skills, talent and culture. A particular focus for Court is supporting the Bank in making the most of the opportunities afforded by developments in AI. Activity to date has been targeted on improvements in both efficiency and effectiveness, with early evidence from pilots suggesting a number of promising areas. To encourage innovative ways of working, the Bank plans to extend the deployment of AI tools, guided by a new governance framework and employee training to ensure safe and effective application.

A significant achievement for the Bank in 2025 has been the completion of the multi-year programme to renew the Real-time Gross Settlement (RTGS) infrastructure that underlies all UK payments. The new RTGS infrastructure delivers a renewed service that is not only significantly more resilient, but that also provides a platform for industry that supports enhanced competition and innovation.

More broadly, progress is being made in all areas, although much remains to be done. By way of example, we have embarked on our strategy to open a major Bank location in Leeds and now have over 100 colleagues based in the city, with a target of 500 by 2027.

The Bank could not deliver its mission without its people. I welcome the Bank's focus on ensuring its leaders have the right skills to lead in the modern world, with impactful training programmes for leaders and managers having launched this year. The Bank serves the people of the United Kingdom, and therefore it is important we access all pools of talent while broadly reflecting the society we serve. We therefore remain focused on being a diverse and inclusive organisation. In particular, this year I would like to highlight the work that the Bank has done to improve its workplace adjustment services to help colleagues with disabilities thrive in the workplace.

Delivering our enduring mission brings with it huge accountabilities and responsibilities, and our policy decisions directly impact the day-to-day lives of businesses and citizens across the country. Over the past year, I have had the privilege of hearing directly from businesses and individuals in my visits to South Wales, Southeast England, and Northern Ireland. Those conversations bring home the real-life experiences of the economy and financial system and how our policies impact people and communities. Listening to these voices, as captured by the intelligence gathered by the Bank’s Agencies and supported by direct interactions, is very important and an essential part of the policy-making process.

Finally, I would like to finish by welcoming Clare Lombardelli and Sarah John to Court and thanking Ben Broadbent, Ben Stimson and Frances O’Grady for their service. I thank all my colleagues on Court for their continuing contributions to the Bank. 2025 has been characterised to date by uncertainty and volatility, and our central expectation is that this will continue. I have great confidence in the ability of my colleagues across the Bank to respond to the challenge and continue to deliver on our enduring mission.

David Roberts
12 June 2025

Statement by the Governor

Andrew Bailey
Governor

The Bank of England's objectives of monetary and financial stability have scarcely been more important than they are today. The best contribution the Bank can make to economic prosperity is low and stable inflation, and good progress was made on that front during 2024. But while the role of financial regulation is once more in the spotlight, there is no doubt that robust standards and a resilient financial system also play a critical role in supporting growth and competitiveness. This has been demonstrated during the recent turbulence in financial markets. The Bank will always pursue policies and reforms – at home and working with international partners – to realise these goals. Once again, the Bank's staff worked tirelessly through the year to deliver their objectives, and we will continue to invest to equip them to discharge their roles efficiently and effectively.

The process of returning inflation to target continued during 2024, and progress in reducing inflationary pressures allowed us to begin to cut interest rates. While inflation is following a bumpy path, increases in 2025 are expected to be temporary. However, changes in global trade policies mean the outlook for inflation is particularly uncertain, so the Monetary Policy Committee (MPC) will decide carefully by how much and when interest rates can be cut again. The MPC's assessment of the economy continues to be underpinned by the work of the Bank's 12 regional agencies who collect information from business contacts. That information is critical, and I heard a range of valuable perspectives as I visited all regions of the UK during the year. Likewise, our assessment of financial markets benefits from views shared with the Bank's Market Intelligence team. Such insights are especially valuable during periods of volatility.

In April 2024, Dr Ben Bernanke published his review into the Bank's forecasting and related processes during periods of heightened uncertainty. Since then, much work has been done to begin implementing the largest transformation of monetary policymaking since the Bank was granted independence in 1997. Important progress has been made in upgrading our data platforms and macroeconomic models, and the way that the MPC discusses and communicates policy has begun to evolve. This work will remain a high priority for the Bank in 2025 and beyond.

The Bank continued its work to deliver a stable financial system. I believe that there is no trade-off between financial stability and economic growth. That said, we can, and have, made changes that are designed to make our regulation more efficient and supportive of investment without exposing taxpayers to undue risk. We completed the implementation of the ‘Solvency UK’ insurance capital framework and we have moved from an annual to biennial frequency for bank capital stress tests, something that will yield considerable efficiency gains. Good progress was also made on the UK’s approach to Basel 3.1 bank capital standards where steps were taken to support SME and infrastructure lending and trade finance. And we have sought to simplify regulations for smaller, domestically focused banks and building societies. While final implementation of aspects of these changes has been delayed, it is critical that we conclude the reforms by working with international partners to deliver a prudent regime for bank capital that supports growth.

In the non-bank sector, the Bank continues to play a leading role in global efforts – including through the Financial Stability Board (FSB) – to identify and address vulnerabilities. For the first time in 2024 this included using a ‘system-wide exploratory scenario’ (SWES) to analyse the behaviours of banks and non-banks under stressed financial market conditions. In January 2025 the Bank introduced a new contingent repo tool for non-bank counterparts, which is designed to address spikes in non-banks’ demand for liquidity during periods of severe gilt market dysfunction.

The Bank was also during the year granted new market oversight powers in respect of the UK wholesale cash distribution market, which we expect to take force in coming months. This, following the successful introduction of banknotes bearing the portrait of King Charles III in June 2024, underscores the Bank’s commitment to making cash available as long as there is demand.

I emphasised in my foreword to the 2024 annual report the importance of keeping the Bank in step with a changing world. A significant milestone came in April 2025 with the introduction of the new Real-Time Gross Settlement (RTGS) core ledger and settlement engine. The updated RTGS increases resilience and flexibility in the core of sterling payments infrastructure, and provides a solid foundation for future innovations in payments and digital money – some of which we explored in a discussion paper in July 2024, and others that will be supported by our Digital Securities Sandbox. We also took steps in 2024 to re-shape the Bank’s own balance sheet, as we transition towards a repo-led, demand-driven operating framework.

Within the Bank, progress has also been made on internal transformations across technology (where we have taken steps to address obsolescence as well as to launch a refreshed data and analytics strategy); people (where we concluded a review of the Bank’s staff pension scheme); and place (where over 100 staff now work in our newly-enlarged Leeds office). These transformations will make the Bank a more modern, efficient and resilient central bank.

As ever, this year we said goodbye to colleagues who leave an enduring mark on the Bank. I am especially grateful to Ben Broadbent, who left in June 2024, and Ben Stimson, who departed in March 2025, for their committed service.

Andrew Bailey
12 June 2025

Court and the Bank's policy committees

The Court of Directors acts as a unitary Board, with executive and non-executive members and an independent non-executive chair.

Court sets the Bank's strategy and budget, takes key decisions on resourcing and appointments, and keeps the Bank's performance and financial management under review. The Court meets at least seven times a year, and its minutes are published.[1]

Members of Court are appointed by the Crown, for periods of eight years in the case of the Governor, five years per term for the Deputy Governors, and up to four years per term for the Non-executive Directors (NEDs). The Chancellor of the Exchequer appoints a Chair to lead Court as a NED.

Court delegates the day-to-day management of the Bank to the Governor and through him to other members of the executive. But it reserves to itself a number of key decisions, including:

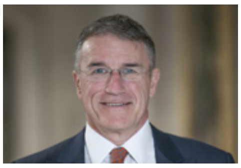
- the Bank's strategy and objectives;
- the Bank's (including the PRA's) expenditure budget;
- major capital projects;
- the Bank's financial framework;
- the Bank's risk tolerance framework;
- approval of the accounts and the appointment of auditors;
- the remit for managing the Bank's balance sheet;
- senior appointments within the Bank and succession planning; and
- major changes in staff remuneration and pension arrangements.

The permanent sub-committees of Court are the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee. Terms of reference of these and other committees are published on the Bank's website.[2]

Members of Court and the Chief Operating Officer have been indemnified by the Bank against personal civil liability arising from the carrying out or purported carrying out of their functions, provided they have acted honestly and in good faith and have not acted recklessly. These indemnities were first granted in 2000 and approved by HM Treasury in accordance with the practice of the Government in relation to board members of Non-Departmental Public Bodies.

1. www.bankofengland.co.uk/about/people/court-of-directors.
2. www.bankofengland.co.uk/about/people/court-of-directors/governance-of-the-bank-of-england-including-matters-reserved-to-court.

The Court of Directors as at 12 June 2025



David Roberts
Chair of Court and NomCo

Appointed NED 24 October 2022
Term expires on 23 October 2026

- Advisory Board Member, Henley Business School, University of Reading
- Advisor to Chair, Campion Willcocks Limited
- Member, Department for Health and Social Care, Zero-Based Review Challenge Panel

Andrew Bailey
Governor

Appointed 16 March 2020
Term expires on 15 March 2028

- Chair, Standing Committee on Supervisory and Regulatory Co-operation, Financial Stability Board
- Chair, Plenary of the Central Bank Counterfeit Deterrence Group
- Co-President, the Heart of the City of London
- Director and Member of the Administration Committee, BIS
- Member, Bretton Woods Committee
- Member, Plenary and Steering Committee, Financial Stability Board
- Member, Group of Governors and Heads of Supervision, Basel Committee on Banking Supervision
- Member, G7 and G20 Central Bank Governors Group
- Member, G30
- Vice President, City of London Endowment Trust for St Paul's Cathedral
- UK Alternate Governor, IMF

Jonathan Bewes
Chair of ARCo

Appointed NED 1 October 2023
Term expires on 30 September 2027

- Independent Non-Executive Director and Chair of Audit and Risk Committee, Sage Group Plc
- Senior Independent Non-Executive Director, Chair of Audit, and member of the Nominations and Remuneration Committees, Next Plc
- Trustee and Chair of the Investment Committee, The Stowe School Foundation
- Trustee and Member of the Council, Durham University
- School Governor, Moulsford School
- Court member, Worshipful Company of Chartered Accountants in England and Wales
- Court member, Worshipful Company of Fan Makers
- Chair, MONY Group Plc
- Trustee, The Friends of Thurlestone Church
- Trustee, The Sheriffs and Recorders Fund
- Trustee and Chair of Campaign Board, Historic Royal Palaces

Sarah Breeden
Deputy Governor, Financial Stability

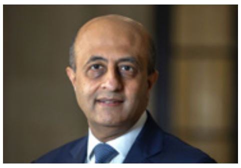
Appointed 1 November 2023
Term expires on 31 October 2028

- Chair, Financial Stability Board Climate Vulnerabilities and Data Group
- Member, Financial Stability Board Standing Committee for the Assessment of Vulnerabilities
- Member, G20 Deputies
- Trustee and Member of the Finance and Audit Committee, Education Endowment Foundation
- Governor, National Institute of Economic and Social Research

Sabine Chalmers

Appointed NED 1 January 2023
Term expires on 31 December 2026

- General Counsel, Director of Regulatory Affairs and Company Secretary of BT Group Plc
- Non-Executive Director, Anheuser-Busch InBev SA/NV
- Member, Supervisory Committee Ardian



Lord Jitesh Gadhia

Appointed NED 24 October 2022
Term expires on 23 October 2026

- Member, House of Lords
- Member, Advisory Credit Committee, HM Treasury
- Non-Executive Director, Rolls-Royce Holdings
- Non-Executive Director, Taylor Wimpey
- Non-Executive Director, Compare the Market
- Non-Executive Director, Intas Pharmaceuticals Limited and Accord Healthcare
- Non-Executive Director, Bard Topco
- Trustee and Chair, The British Asian Trust

Anne Glover

Appointed NED 1 June 2018
Term expires on 31 May 2026

- Co-founder and CEO, Amadeus Capital Partners
- Director, BKraft Holding
- Director, Nu Quantum
- Director and sole owner, Calderstone Capital
- Member, Investment Committee, Yale Corporation
- Member, Venture Capital Investment Committee, BII Group
- Trustee, the Professor John Glover Memorial Fund
- Science and Technology VC Fellowship Advisory Board, Department of Science Innovation and Technology
- Working group on Growing Innovative Science and Tech companies, Department for Science Innovation and Technology

Sir Ron Kalifa
Senior Independent Director

Appointed NED 1 June 2019
Term expires on 31 May 2027

- Director, RMK Consulting Services
- Non-Executive Director, InterContinental Hotels Group (IHG)
- Trustee and Chair of Finance Committee, The Royal Foundation
- Non-Executive Director and Member of Audit Committee, England and Wales Cricket Board
- Member, and Member of Finance Committee, Council of Imperial College, London
- Vice-Chair Financial Infrastructure, Brookfield Asset Management
- Chair, Sport Honours Committee

Clare Lombardelli
Deputy Governor, Monetary Policy

Appointed 1 July 2024
Term expires on 30 June 2029

- Visiting Professor, King's College London
- Visiting Research Fellow, Nuffield College Oxford
- Member, OECD Working Party No. 3
- Member, Bellagio Group
- Member, G7 Deputies
- Research Policy Network Steering Committee, Centre for Economic Policy Research

Diana Noble
Deputy Chair of Court, Chair of RemCo

Appointed NED 1 June 2018
Term expires on 31 May 2026

- Non-Executive Director and Member of Governance, Nominating and Compensation Committee, Brookfield Asset Management
- Non-Executive Governor, Chair of People and Remuneration Committee and Member of Investment Committee, The Wellcome Trust
- Founder partner, Kirkos Partners

Sir Dave Ramsden
Deputy Governor, Markets, Banking, Payments and Resolution

Appointed 4 September 2017
Term expires on 3 September 2027

- Member, Committee on the Global Financial System, BIS
- Governor, National Institute of Economic and Social Research
- Member, Council of the Institute for Fiscal Studies
- Member, CCP Advisory Board
- President, Society of Professional Economists
- President, Money Macro and Finance Research Society
- Visiting Professor, King's College London
- Member, Multibank Board

Tom Shropshire

Appointed NED 1 November 2022
Term expires on 31 October 2026

- General Counsel and Senior Vice-President, Thermo Fisher Scientific
- Patron, Amos Bursary
- Trustee, New York University School of Law

Sam Woods
Deputy Governor, Prudential Regulation, and Chief Executive Officer of the PRA

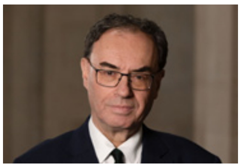
Appointed 1 July 2016
Term expires on 30 June 2026

- Board Member, Financial Conduct Authority
- Member, Standing Committee on Supervisory and Regulatory Co-operation, Financial Stability Board
- Member, Group of Governors and Heads of Supervision, Basel Committee on Banking Supervision
- BIS Financial Stability Institute Advisory Board
- Distinguished Guest Lecturer, Warwick Business School

In the interests of transparency, the Bank maintains a public register of interests for its most senior officials. See **www.bankofengland.co.uk/-/media/boe/files/about/register-of-interests.pdf**.

Policy committees: Monetary Policy Committee (MPC)

Members as at 12 June 2025[3]



Andrew Bailey
Governor,
Chair of the MPC

Sarah Breeden
Deputy Governor,
Financial Stability

Dr Swati Dhingra
External member
Term: 9 August 2022 – 8 August 2028

Megan Greene
External member
Term: 5 July 2023 – 4 July 2026

Clare Lombardelli
Deputy Governor,
Monetary Policy

Catherine L Mann
External member
Term: 1 September 2021 – 31 August 2027

Huw Pill
Executive Director,
Monetary Analysis and Chief Economist
Term: 6 September 2021 – 5 September 2027

Sir Dave Ramsden
Deputy Governor,
Markets, Banking, Payments and Resolution

Professor Alan Taylor
External member
Term: 2 September 2024 – 1 September 2027

The Bank of England's MPC contributes to the Bank's mission to achieve monetary stability by setting monetary policy to:

- **maintain price stability; and, subject to that,**
- **support the Government's economic policies, including its objectives for growth and employment.**

3. Ben Broadbent was an MPC member until the end of his term on 30 June 2024. Jonathan Haskel was an MPC member until the end of his term on 31 August 2024. Clare Lombardelli's term on the MPC started on 1 July 2024. Professor Alan Taylor's term on the MPC started on 2 September 2024.

At least once a year, the Government updates its definition of price stability and the description of its economic policy in the MPC's remit. In November 2024, the Chancellor of the Exchequer reconfirmed the target as an inflation rate of '2 per cent as measured by the 12-month increase in the consumer prices index'. The economic policy objective of the HM Government is 'to restore broad-based and resilient growth built on strong and secure foundations'.[4]

The MPC has nine members. Five members are Bank of England staff: the Governor; three Deputy Governors; and the Chief Economist and Executive Director for Monetary Analysis. The Committee also includes four external members appointed by the Chancellor of the Exchequer. A non-voting representative from HM Treasury also sits with the Committee at its meetings.

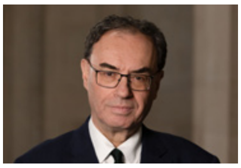
The MPC meets at least eight times a year to set policy and the MPC's minutes are published alongside the Committee's decisions after each meeting. The Bank's quarterly Monetary Policy Report includes the MPC's projections for inflation and output.

Members of the MPC are indemnified by the Bank against personal civil liability on the same terms as members of Court (see page 12).

4. www.bankofengland.co.uk/letter/2024/november/mpc-remit-2024.

Financial Policy Committee (FPC)

Members as at 12 June 2025[5]

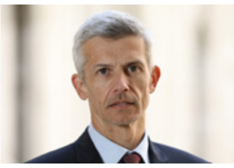


Andrew Bailey
Governor,
Chair of the FPC

Nathanaël Benjamin
Executive Director,
Financial Stability
Strategy and Risk

Dame Colette Bowe
External member
Term: 1 September 2019
– 31 August 2025

Sarah Breeden
Deputy Governor,
Financial Stability



Jonathan Hall
External member
Term: 1 September 2020
– 31 August 2026

Randall Kroszner
External member
Term: 1 February 2023
– 31 January 2026

Clare Lombardelli
Deputy Governor,
Monetary Policy

Liz Oakes
External member
Term: 3 June 2024
– 2 June 2027

Sir Dave Ramsden
Deputy Governor,
Markets, Banking,
Payments and Resolution

Nikhil Rathi
Chief Executive
of the FCA
Term: 1 October 2020
– 30 September 2030

Carolyn A Wilkins
External member
Term: 21 June 2021
– 20 June 2027

Sam Woods
Deputy Governor for
Prudential Regulation,
and Chief Executive Officer
of the PRA

The Bank of England's FPC contributes to the Bank's mission to achieve financial stability by:

- **identifying, monitoring and taking action to reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system; and, subject to that,**
- **supporting the Government's economic policies, including its objectives for growth and employment.**

5. Ben Broadbent was an FPC member until the end of his term on 30 June 2024. Clare Lombardelli's term on the FPC started on 1 July 2024.

The FPC also advises Court on the Bank's Financial Stability Strategy.

At least once a year, the Government must make recommendations about the FPC's responsibilities for financial stability and also about its growth and employment objectives. The FPC must respond formally to these and provide reasons if it proposes not to follow the recommendations.[6]

The FPC has 13 members. Six members are Bank of England staff: the Governor; four Deputy Governors; and the Executive Director for Financial Stability Strategy and Risk. The Committee also includes the Chief Executive of the Financial Conduct Authority (FCA), five external members appointed by the Chancellor of the Exchequer, and a non-voting representative from HM Treasury.

The FPC meets at least quarterly. It may give directions to the Prudential Regulation Authority (PRA) and the FCA in relation to macroprudential measures prescribed by secondary legislation under the Bank of England Act 1998. The FPC also has powers to make recommendations to any other body. It publishes a record of its formal policy meetings and is responsible for producing the (at least) twice yearly Financial Stability Report.

Members of the FPC are indemnified by the Bank against personal civil liability on the same terms as members of Court (see page 12).

6. The most recent remit and recommendations and the FPC's response are at **www.bankofengland.co.uk/letter/2024/november/fpc-remit-2024**.

Prudential Regulation Committee (PRC)

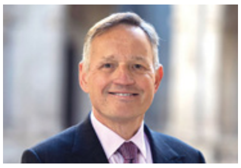
Members as at 12 June 2025[7]

Andrew Bailey
Governor,
Chair of the PRC

Sarah Breeden
Deputy Governor,
Financial Stability

Tanya Castell
External member
Term: 1 September 2021 – 31 August 2027

Andrea Enria
PRA Senior Adviser
Term: 20 March 2025 – 19 March 2028



Antony Jenkins
External member
Term: 5 April 2021 – 4 April 2027

Niamh Moloney
External member
Term: 20 March 2025 – 19 March 2028

Marjorie Ngwenya
External member
Term: 5 September 2022 – 4 September 2025

Sir Dave Ramsden
Deputy Governor,
Markets, Banking,
Payments and Resolution

Nikhil Rathi
Chief Executive
of the FCA
Term: 1 October 2020 – 30 September 2030

David Soanes
External member
Term: 20 March 2025 – 19 March 2028

John Taylor
External member
Term: 14 January 2021 – 13 January 2027

Sam Woods
Deputy Governor,
Prudential Regulation,
and Chief Executive
Officer of the PRA

The PRC is the body within the Bank responsible for exercising the Bank's functions as the Prudential Regulation Authority (PRA) as set out in the Bank of England Act 1998 and the Financial Services and Markets Act 2000 (FSMA). The PRC is on the same legal footing as the Monetary Policy Committee and the Financial Policy Committee.

The PRC's terms of reference provide for 12 members. Five members are Bank of England staff: the Governor; three Deputy Governors, and a PRA Senior Adviser. The Committee also includes the Chief Executive of the Financial Conduct Authority (FCA), and at least six members appointed by the Chancellor of the Exchequer.

7. Ben Broadbent, Jill May and Julia Black completed their terms on the PRC in June 2024, July 2024 and November 2024 respectively. Andrea Enria, Niamh Moloney and David Soanes started their terms on the PRC on 20 March 2025.

The PRC has several non-delegable statutory responsibilities, including:

- The PRC is independent in all its decision-making functions, including making rules and the PRA's most important supervisory and policy decisions
- The PRA functions are exercised by the Bank and are funded by PRA fees, with the PRC responsible for consulting on and setting the level of those fees
- The PRC is required to report annually to the Chancellor of the Exchequer on the adequacy of resources allocated to the PRA functions and the extent to which the exercise of those functions is independent of the exercise of the Bank's other functions[8]
- Members of the PRC are indemnified by the Bank against personal civil liability on the same terms as members of Court (see page 12)

The statutory objectives of the PRA, which underpin its forward-looking, judgement-based approach to supervision, are:

- a general objective to promote the safety and soundness of the firms it regulates;
- specifically for insurers, to contribute to the securing of an appropriate degree of protection for those who are or may become insurance policyholders;
- a secondary objective to, so far as is reasonably possible, act in a way which facilitates effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and
- a further secondary objective to, so far as is reasonably possible, act in a way that facilitates, subject to aligning with relevant international standards, (a) the international competitiveness of the UK economy (including, in particular, the financial services sector through the contribution of PRA-authorised persons); and (b) its growth in the medium to long term.

In November 2024, HM Treasury issued 'Recommendations for the Prudential Regulation Committee'.[9] This sets out aspects of HM Government's economic policy to which the PRC should have regard when considering how to advance its objectives, and when considering the application of the regulatory principles in FSMA.

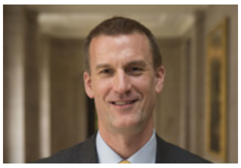
FSMA also requires the PRA to review, if necessary revise, and publish annually its strategy in relation to how it will deliver its statutory objectives. The strategy is set by the PRC, in consultation with the Bank's Court of Directors. The PRA's strategy was published with the PRA Business Plan 2025/26 in April 2025.[10]

8. Available on pages 14–17 in the PRA Annual Report 2024/25, **www.bankofengland.co.uk/prudential-regulation/publication/2025/june/pra-annual-report-2024-25**.
9. The recommendations and the PRC's response are at **www.bankofengland.co.uk/letter/2024/november/prc-remit-2024**.
10. **www.bankofengland.co.uk/prudential-regulation/publication/2025/april/pra-business-plan-2025-26**.

Financial Market Infrastructure Committee (FMIC)

Members as at 12 June 2025

Andrew Bailey
Governor



David Bailey
Executive Director, Prudential Policy

Julia Black
External member
Term: 1 January 2024 – 31 December 2026

Sarah Breeden
Deputy Governor, Financial Stability

Randall Kroszner
External Member
Term: 1 January 2024 – 31 December 2026

Sasha Mills
Executive Director, Financial Market Infrastructure

Martin Pluves
External Member
Term: 1 January 2024 – 31 December 2026

David Rule
PRA Senior Adviser

Victoria Saporta
Executive Director, Markets

The FMIC is the body within the Bank responsible for exercising the Bank's functions in relation to FMIs and critical third parties as set out in the Bank of England Act 1998 and the Financial Services and Markets Act 2000 and 2023.

The FMIC's terms of reference state that the members of the FMIC are: the Governor; the Deputy Governor for Financial Stability, the Executive Director for Financial Market Infrastructure, three Bank members appointed by Court, and at least three independent members appointed by Court. The FMIC is chaired by the Governor or the Deputy Governor for Financial Stability.

Moreover, where possible, one independent member should also be an independent member of the FPC, and one independent member should also be an independent member of the PRC. Independent members will normally serve for a maximum of two three-year terms.

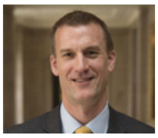
The Governor or Deputy Governor for Financial Stability, as Chair, may summon a meeting of the FMIC at any time by giving such notice as he or she thinks the circumstances require.

Decisions on FMI functions that the FMIC can exercise include but are not limited to: making rules; making technical standards; preparing and issuing codes; and determining general policy and principles in relation to FMI entities.

Our organisation as at 12 June 2025[11] [12]

The senior executive and their membership, where relevant, of the Bank's policy committees are indicated below.

Andrew Bailey
Governor,
(FPC, MPC, PRC, FMIC)



David Bailey
Executive Director,
Prudential Policy
(FMIC)

James Bell
Executive Director,
Communications

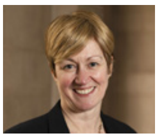
James Benford
Executive Director,
Data and Analytics Transformation, and Chief Data Officer

Nathanaël Benjamin
Executive Director,
Financial Stability Strategy and Risk
(FPC)

Sonya Branch
Executive Director,
Legal and General Counsel

Sarah Breeden
Deputy Governor,
Financial Stability
(MPC, FPC, PRC, FMIC)

Stephen Brown
Executive Director,
Risk



Jane Cathrall
Executive Director,
People

Victoria Cleland
Chief Cashier and Executive Director,
Payments

Charlotte Gerken
Executive Director,
UK Deposit Takers Supervision

Vivienne Grafton
Executive Director,
Central Operations

11. The following commenced their appointments in 2024/25: Clare Lombardelli (July 2024), Sebastian Walsh (August 2024), Sarah John (April 2025) and Victoria Cleland (June 2025).
12. The following held posts during 2024/25: Ben Broadbent (Deputy Governor, Monetary Policy, until June 2024) and Ben Stimson (Chief Operating Officer, until March 2025).

Jo Hill
Executive Director, Change and Planning

Rebecca Jackson
Executive Director, Authorisations, Regulatory Technology and International Supervision

Sarah John
Chief Operating Officer

Afua Kyei
Executive Director, Finance and Chief Financial Officer

Clare Lombardelli
Deputy Governor, Monetary Policy (MPC, FPC)

Duncan Mackinnon
Executive Director, Supervisory Risk Specialists

Sasha Mills
Executive Director, Financial Market Infrastructure (FMIC)

Nathan Monk
Executive Director, Technology and Chief Information Officer

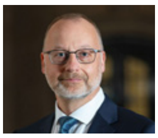
Huw Pill
Chief Economist and Executive Director, Monetary Analysis (MPC)

Sir Dave Ramsden
Deputy Governor, Markets, Banking, Payments and Resolution (MPC, FPC, PRC)

Victoria Saporta
Executive Director, Markets (FMIC)

Ruth Smith
Executive Director, Resolution

James Talbot
Executive Director, International



Gareth Truran
Executive Director, Insurance Supervision

Sebastian Walsh
Executive Director, Secretary of the Bank and Head of Leeds

Sam Woods
Deputy Governor, Prudential Regulation and Chief Executive of the PRA (FPC, PRC)

Review of 2024–25

Our timeless mission, as set out in our original Charter in 1694, is to ‘promote the good of the people of the United Kingdom’. The way in which we have discharged this mission has evolved over time, and it continues to change as we keep step with the changing world around us.

In this Review we summarise how we have made full use of the knowledge, resources and skills from across the organisation in support of our mission and timeless outcomes: stable prices; a resilient financial system; secure and reliable payments, banking services, and banknotes; and safe, sound and resolvable firms.

The Review also outlines our strategic investment priorities, with a focus on ensuring the Bank is fit for the future so we can continue to work towards our mission in a way that is purposeful, sustainable and forward-looking.

Stable prices

We carry out our mission to maintain monetary stability by working to keep inflation low and stable in the UK. HM Government has set us a target of keeping annual inflation at 2%.

The Monetary Policy Committee (MPC) is responsible for our work in this area. It meets eight times a year to decide what interest rate is needed to return inflation to, or keep it at, the 2% target over time.

Progress in reducing inflation pressures means that we have been able to reduce interest rates. While inflation has ticked up in recent months, this is expected to be temporary. However, the outlook for inflation is particularly uncertain, partly because of changes in global trade policies, so the MPC will continue to respond carefully to the evolving economic circumstances and the outlook for inflation in the UK.

Colleagues from across the organisation have worked together to provide economic and financial analysis to support the MPC’s decision-making this year. This analysis and the rationale for the MPC’s decisions are set out more fully in the published minutes of the Committee’s policy meetings and its Monetary Policy Reports.

In July 2023, Court announced that Dr Ben Bernanke would lead an independent review into the Bank's forecasting and related processes during times of significant uncertainty. That review, published in April 2024, provided a thorough assessment of the Bank's current forecasting approach, and the relationship between the forecast, monetary policy decisions and their communication. We accepted all the review's recommendations.

We've made significant progress in responding to the Bernanke Review this year. The MPC started using a broader range of scenarios in policy decisions, including alternative cases for inflation persistence, and a range of economic outcomes based on different assumptions for inflation expectations, productivity, and the impact of uncertainty on spending decisions. We have upgraded our core forecasting model, and we are widening our modelling suite by developing a range of models and statistical tools that capture the different uncertainties we want to explore. We're building a new data platform which we expect will deliver a significant improvement in our capabilities over the next two years.

Nevertheless, we have further to go, including implementing new data systems, experimenting with the best way to use scenarios and wider policy tools in our decision-making and changing our external communications. Overall, this programme of work will update our infrastructure, processes, and communications to make them fit for a world of larger, more frequent, and more diverse shocks. Given its importance, implementing the recommendations of the Bernanke Review is one of our new strategic investment priorities (see page 35).

It is important that we are transparent and accountable to Parliament. During the year, the MPC has presented evidence at three Parliamentary hearings, including those of the Treasury Committee and Economic Affairs Committee, and MPC members have given around 150 interviews and speeches

A resilient financial system

The financial system is a vital part of our economy. It enables households and businesses to make payments, borrow, save and invest, and insure against risks.

Our objective is to maintain financial stability in the UK, and the Financial Policy Committee (FPC) and Prudential Regulation Authority (PRA) leads much of our work in this area. The FPC's role is to identify, monitor and take action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system (see pages 20–21). The PRA is responsible for the prudential regulation and supervision of around 1,300 banks, building societies, credit unions, insurers and major investment firms.

In their meeting in April 2025, the FPC judged that the global risk environment had deteriorated, and uncertainty had intensified. Consequently, the probability of adverse events, and the potential severity of their impact, has increased. Geopolitical tensions, and risks associated with sovereign debt pressures globally, had also risen.

Colleagues from across the organisation have worked together to provide economic and financial analysis to support the FPC's decision-making this year. This analysis and the rationale for the FPC's decisions are set out more fully in the twice-yearly Financial Stability Report and in the records of the FPC's quarterly policy meetings. During the year, the FPC has presented evidence at three Parliamentary hearings, including those of the Treasury Committee, and FPC members have given around 25 interviews and speeches.

More detail on the PRA's activities is provided in the PRA's Annual Report, which is published alongside this Report. During the year, the Prudential Regulation Committee (PRC) presented evidence at one Parliamentary hearing and PRC members have given around 15 interviews and speeches.

Banking system

We regularly stress test the UK's largest banks to see if they are prepared for an economic crisis. The desk-based stress test we carried out in 2024 showed that the UK banking system has the capacity to support households and businesses even if economic, financial and business conditions were to be substantially worse than expected. From 2025 onwards, we will move to a biennial frequency for our main bank capital stress test. This will yield considerable efficiency gains for us and banks without weakening standards and create space to assess and address a wider range of risks.

In August 2024 we published our second assessment under our Resolvability Assessment Framework (RAF) of whether major UK banks are prepared for resolution. This assessment found that major UK banks have continued to make progress in improving their preparations for resolution, including embedding resolution preparations into their everyday business, and in addressing issues outstanding from the first assessment.

The FPC sets the UK countercyclical capital buffer (CCyB) rate each quarter. This provides banks with an additional 'rainy day' buffer they can use to withstand potential losses without restricting lending to the wider economy. The CCyB is based on the FPC's assessment of economic and financial conditions, and risks. In its most recent assessment, the FPC decided to maintain the UK CCyB at its neutral setting of 2%.

Market-based finance

Market-based finance, also known as non-bank finance, is an increasingly important source of funding for UK firms, accounting for around half of total financial sector assets and more than half of the lending to UK corporates. Non-bank finance has many benefits, such as allowing businesses to diversify their sources of finance. But it also carries some risks. Past events, such as the March 2020 'dash for cash' and September 2022 liability-driven investment (LDI) episodes, have shown that vulnerabilities in non-banks can quickly spill over into stresses in core UK financial markets that may threaten UK financial stability.

In November 2024 we published the results of our system-wide exploratory scenario to better understand how banks and non-banks might act during very severe shocks in financial markets. This was the first exercise of its kind and was world-leading in its approach. The exercise significantly enhanced our understanding of the financial system including non-banks, and importantly how we can reduce risks and build resilience.

We also announced in July 2024 that we had developed a contingent lending tool for non-banks that can be deployed in episodes of severe dysfunction in UK government bond markets that temporarily increase non-banks demand for liquidity. This lending tool opened for applications in January 2025 for a wide set of institutions including insurance companies, defined benefit occupational pension schemes, and LDI funds.

Financial market infrastructure firms (FMIs)

FMIs are a key part of the financial system, and the public rely upon their smooth and safe operation, in normal times and in stress. The Financial Market Infrastructure Committee (FMIC) leads our work in this area (see pages 24–25). The FMIC's primary objective is to protect and enhance the stability of the UK financial system by ensuring that the FMIs it regulates reduce systemic risk. In addition, the FMIC has a secondary objective to facilitate innovation in the provision of FMI services, aiming to improve their quality, efficiency, and economy.

We supervise three categories of FMIs: central counterparties (CCPs), central securities depositories (CSDs) and recognised payment system operators (RPSOs). CCPs simplify and risk-manage complex networks of counterparty exposures in financial markets, CSDs ensure the safe transfer of securities after trading, and RPSOs enable funds to be transferred daily between businesses and individuals.

The critical role FMIs have for financial stability means that their operational and financial resilience is essential. As such, our supervision of FMIs is aimed at ensuring that they are prepared for, and resilient to, the wide range of risks that they could face. In November 2024 we published the results of our third CCP Supervisory Stress Test. This showed that UK

CCPs had adequate financial resilience against a wide range of stress scenarios. We also published the policy and rules for critical third parties to further strengthen the operational resilience of UK FMIs.

Following the new rule-making powers for CCPs and CSDs granted by the Financial Services and Markets Act (FSMA) 2023, we have established robust safeguards – including a new statutory FMI Committee and engagement with the Cost Benefit Analysis Panel – to ensure that we apply our powers across all FMIs in a transparent and accountable manner. In addition, our consultation on Fundamental Rules, which makes clear our core expectations of FMIs and their Boards, was a key first step towards ensuring that our FMI regulation remains consistent with international standards, evolves as necessary and supports our supervisory approach.

FSMA 2023 also introduced a new secondary objective to facilitate innovation in the provision of CCP and CSD services. We have been actively embedding the objective, building on existing work, through our policy development and external engagement. The successful launch of the Digital Securities Sandbox with the FCA, which facilitates the use of developing technology such as distributed ledgers in the issuance, trading and settlement of securities in the UK, and our work on a regulatory regime for systemic payment systems using stablecoins, are examples of how we can facilitate safe innovation.

More details on these and other activities is provided in 'The Bank of England's supervision of financial market infrastructures Annual Report', which is published alongside this Report.

Secure and reliable payments, banking services and banknotes

Payments

Payment systems are essential to our economy. They enable everyone to buy goods and services, receive salaries and benefits, and withdraw money from cash machines.

We play a major role in supporting payments in the UK through our Real-Time Gross Settlement (RTGS) service. RTGS lies at the heart of every retail and wholesale payment in the UK, including those made using Visa, MasterCard and the Faster Payments system. RTGS also supports our high-value CHAPS system that is used, for example, when buying property.

In April 2025 we completed the multi-year programme to renew the RTGS infrastructure, the vision for which was to provide a renewed service that is more resilient and better supports enhanced competition and innovation. To maximise the benefits of this renewed system, we have a Future Roadmap for the ongoing enhancement of RTGS. We have continued to make progress this year, including input from the private sector. In October 2024, following feedback from industry, we announced that we were minded to extend the settlement hours of RTGS, with an ambition to move to near-24/7 operation around the turn of the decade. In addition, we have taken several steps to enable greater access to RTGS, and how we might expand central bank money settlement to transactions that involve a wider set of assets.

In 2024/25 RTGS settled, on average, over £750bn of payments every working day. Delays to this service could have a large impact on wholesale and retail payments. So, we have a target that it should be available at least 99.95% of the time. In 2024/25, RTGS was available 99.81% of the time, meaning that unfortunately we did not meet this target. This was due to two outages, including one stemming from a four-hour outage at Swift which impacted a number of countries. On each occasion settlement was restored intraday and all payments were settled on their intended value date.

Looking forward, we have set out in a discussion paper our approach to innovation in money and payments including plans to explore new technologies in wholesale payments and to encourage greater innovation in interbank retail payments. We are also continuing to work with other central banks and international partners to consider how our respective payments landscapes can best interoperate in a way that reduces frictions to cross-border payments, while managing the potential risks from this to international monetary and financial stability. Together, these amount to an ambitious agenda for the payments landscape in the UK and internationally.

Banknotes

Maintaining public confidence in the currency is core to our mission. We need to make sure the banknotes we produce are high quality, long lasting and difficult to counterfeit.

In June 2024 banknotes featuring a portrait of King Charles III entered circulation. The portrait of the King now appears on existing designs of all four banknotes (£5, £10, £20 and £50), with no other changes to the existing designs.

Polymer banknotes that feature the portrait of Her Late Majesty Queen Elizabeth II remain legal tender and can continue to be used. The King Charles III banknotes are printed to replace only those that are worn, and to meet any overall increase in demand for banknotes. This approach is in line with guidance from the Royal Household, to minimise the environmental and financial impact of the change.

Digital pound

The world we live in is becoming more digital. Together with HM Treasury we are exploring the idea of a digital pound (also known as a UK central bank digital currency).

This would be an electronic version of the banknotes issued by us and would be accessed by digital wallets provided by private sector payment providers. It is important to stress that if a digital pound were introduced, it would not replace cash. We know being able to use cash is important for many people. That's why we will continue to issue banknotes for as long as people want to keep using them.

Over the course of the year, we have made progress in the design phase of the digital pound project. Our efforts have also focused on building the evidence required to support a robust assessment of the costs and benefits of a digital pound.

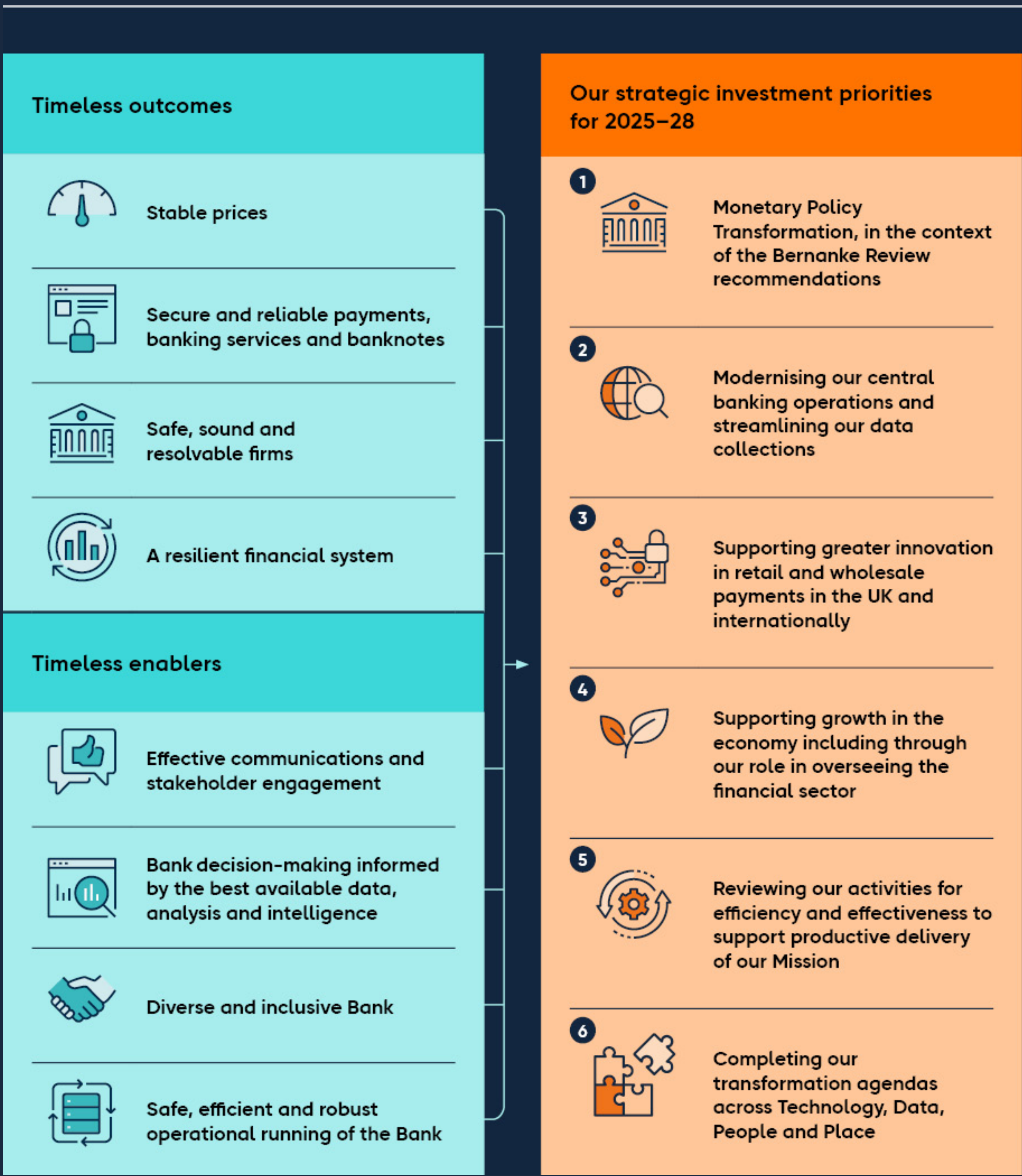
At this stage, no decision has been made on whether to proceed with a digital pound. Following the completion of a design phase over the next couple of years, the Bank and Government will assess the policy case for a digital pound and determine whether to proceed. A digital pound would only be introduced with Parliament's approval, requiring primary legislation. This legislation would safeguard users' privacy, guaranteeing that neither we nor the Government could access users' personal information nor control how households and businesses use their money.

Our strategic investment priorities for 2025–28

Over the next three years our focus is on ensuring the Bank is fit for the future. That means transforming our operational foundations, delivering both modern core central banking and prudential regulation with the right skills and technology.

To support this aim, we have identified six strategic investment priorities for 2025−28 as shown on page 35. We believe that these investment priorities will bring better clarity and focus, stronger cross-Bank engagement and collaboration, improved decision-making, and a clearer way to measure success.

Figure A: Bank of England strategic investment priorities: 2025–28



Financial review of 2024–25

Financial statements highlights

The Bank operates as 'One Bank', a single unified institution, and the financial review is presented in a way that is consistent with this operating principle.

In accordance with the terms of the 1844 Bank Charter Act, the Bank was divided for accounting purposes into the Issue Department, covering banknote issuance activity, and the Banking Department, which encompasses all other activities.

Under the Bank of England and Financial Services Act 2016 separate PRA disclosures are presented in the Annual Report on pages 201–10, these reflect the operations of the Bank acting as the PRA, and are a subset of the Banking Department.

Under the Bank of England Act 1998, the financial statements are prepared on a non-consolidated basis. The 'combined' income statement and balance sheet data in this section represent the aggregation of the Banking Department and Issue Department, and are presented for information purposes only.

Court considers the operation of the Bank's financial framework in fulfilling its responsibilities under the Bank of England Act 1998. The key elements of the financial framework of the Bank are detailed below. For the Banking Department, the Bank compiles its medium-term spending plans within a financial framework which has four main tenets.

First, that under the Bank of England Act 1998 the policy functions of the Bank (defined as activities undertaken in pursuance of the Bank's monetary policy and financial stability objectives) are financed by the Bank of England Levy (BoE Levy) following transition as of 1 March 2024 from the previous funding mechanism, the Cash Ratio Deposit (CRD) scheme.

Second, that the remunerated activities of the Bank – banking services, services to HM Treasury and lending operations for the Bank's own account – will be expected to break even over the medium term, although the Bank remains committed to providing value for money, and so manages its cost base in this context. Any gains or losses from these activities is recognised in the Bank's capital.

Third, the Bank acting as the PRA, operating under FSMA 2000, may levy regulated firms to recover all costs incurred in the performance of the PRA's functions under the Act. From

August 2018, the Bank introduced a levy to cover its Financial Market Infrastructure (FMI) supervisory costs in response to an Independent Evaluation Office recommendation. This applies to all FMIs which are supervised by the Bank under the Banking Act 2009 or FSMA 2000.

Fourth, on the basis that spending on policy and supervisory functions is fully recovered and other functions break even, the profit of the Bank should be broadly equivalent to the return on the assets in which its capital and reserves are invested – largely gilts.

Bank of England Levy

The BoE Levy came into effect from 1 March 2024 to fund the Bank's policy functions.[13] Prior to the implementation of the BoE Levy, the Bank's policy functions were funded by the CRD scheme. This CRD scheme was running at a deficit, with the BoE Levy delivering a more reliable and stable funding scheme for the Bank's policy functions.

The purpose of the Levy is to cover the amounts required by the Bank in connection with the funding of its policy functions. These are the functions exercised by the Bank in pursuit of its financial stability and monetary policy objectives. This includes anything done in preparation for, to facilitate, or otherwise in connection with the exercise of those functions. In addition, the Levy will recover any other amounts required in connection with the cost that arise as a result of the transition from the CRD scheme. These costs will include those which arise for the Bank as a result of the conversion of eligible institutions' unremunerated CRDs into remunerated reserves on which interest, at Bank Rate, is payable.

Both the policy cost and the cost of moving from the CRD scheme to the Levy is charged to the Levy payers proportional to the size of eligible institutions' eligible liability base. Such institutions will broadly be UK deposit-taking institutions authorised under FSMA 2000.

13. www.bankofengland.co.uk/about/governance-and-funding/levy/levy-framework.

Capital

	2025 (£mn)	2024 (£mn)
Total capital	5,597	5,408
Deductions (net of deferred tax):		
Intangible assets	(227)	(240)
Pension and property reserves	(661)	(704)
Illiquid investments	(1,273)	(1,145)
Loss-absorbing capital	**3,436**	**3,319**

The capital framework, introduced in June 2018 following agreement between HM Treasury and the Bank, states that the proportion of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital (LAC) held by the Bank and where this sits within a set of parameters. Following the five-yearly review of the parameters by the Bank and HM Treasury, the updated Memorandum of Understanding (MoU) on the Financial Relationship between HM Treasury and the Bank was published in February 2025.[14]

LAC is the Bank's total capital less any capital components that cannot absorb losses, which include: intangible assets (net of deferred tax); net pension scheme assets and property revaluation reserves (net of deferred tax); and illiquid investments (net of deferred tax).

The Bank's LAC increased to £3,436mn (2024: 3,319mn). The increase in LAC is primarily attributable to an increase in total capital resulting from an increased profit after tax.

In line with the capital framework codified in the MoU on the Financial Relationship between HM Treasury and the Bank, no payment in lieu of dividend to HM Treasury will be made.

Financial statement highlights

The table overleaf presents highlights of the combined 2025 financial statements. Further explanation and commentary are provided below.

14. See Section 2.B of the agreed financial relationship between HM Treasury and the Bank of England: Memorandum of Understanding for detail of the parameters; **www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship**.

Financial statement highlights

	2025 (£mn)	2024 (£mn)	Movement (£mn)
Balance sheet			
Combined balance sheet[a]	870,078	944,791	(74,713)
Cash Ratio Deposits (CRDs)[b]	–	12,290	(12,290)
Notes in circulation	90,593	87,018	3,575
Loss-absorbing capital[c]	3,436	3,319	117
Funded pension scheme net assets	734	771	(37)
Combined loans and advances	833,384	911,388	(78,004)
TFSME	96,745	151,324	(54,579)
Income statement			
Combined income	983	809	174
of which:			
Income from PRA regulatory activity	344	315	29
Management fees	76	89	(13)
Trading income	213	188	25
of which:			
CRD income	–	135	(135)
BoE Levy income[d]	299	–	299
Combined expenditure[e]	855	777	78
Combined profit before tax	128	32	96
Combined profit after tax	98	33	65
Payment to HM Treasury in lieu of dividend	–	–	–
Other items of note			
Net seigniorage income paid to the National Loans Fund	4,438	4,256	182
TFSME income[f]	6,335	8,144	(1,809)
Income statement net shortfall from policy functions[g]	–	(111)	111
Average number of employees (headcount)[h]	5,731	5,392	339

(a) Banking Department total assets (£868,578mn) plus Issue Department total assets (£90,593mn) minus Issue Department deposit with Banking Department (£89,093mn).
(b) CRDs were repaid on 4–5 March 2024.
(c) See page 38.
(d) See page 37.
(e) See page 42.
(f) Term Funding scheme with additional incentives for small and medium-sized enterprises (TFSME) income reflects Bank Rate on TFSME loans, and TFSME fees receivable in the year.
(g) See page 44.
(h) See page 162.

Balance sheet movements

The combined balance sheet decreased by £74.7bn in 2025. The largest movement in assets was a decrease in 'Loans and advances' of £78.0bn, primarily attributable to a decrease in the loan to the Bank of England Asset Purchase Facility Fund (BEAPFF). Over the course of the year, the Bank has continued the programme set out by the Monetary Policy Committee (MPC) to reduce the stock of corporate bonds and gilts held in the Asset Purchase Facility (APF) via maturities and sales. The Bank had completed all planned sales of the stock of corporate bonds held by the APF in June 2023, with the remaining corporate bonds fully matured in April 2024. The proceeds from these activities have been used to repay the loan from the Bank.

The CRD scheme has been replaced as a funding mechanism by the BoE Levy, with CRDs being repaid in full on 4–5 March 2024.

There has been an increase in notes in circulation throughout the year of £3,575mn to a value of £90,593mn (2024: £87,018mn). The increase has been mainly driven by strong foreign demand from UK tourism with the £20 notes and higher use in ATMs with the £50 notes.

The balance of the TFSME decreased to £96.7bn from £151.3bn primarily driven by early part and full terminations from participants of the scheme.

Income statement movements

Profit before tax increased year on year to £128mn, an increase of £96mn.

Combined income increased by £174mn in 2025 primarily due to the introduction of the BoE Levy income, which replaced the CRD scheme from March 2024. Trading income has increased by £25mn year on year, as a result of favourable rate movements within the Bank's foreign currency portfolio. There has been an increase of £29mn in PRA regulatory income, as a result of Bank and PRA's investment to address the risks of an aging technology estate by implementing more widely adopted industry-standard solutions.

This offsets a reduction in Management fees which fell by £13mn year on year. This was primarily driven by a decrease in the recovery of notes issue costs year on year due to a reduction in note issuance in 2025.

The year on year increase in the Bank's costs of £78mn was driven by increased investment activity to address system obsolescence and critical operation risk. Alongside this there has been a move to the Software-as-a-Service (SaaS) model which results in cost being expensed immediately rather than being depreciated over time. Depreciation continues to be incurred on legacy investment.

Other items of note

Funding arrangements for Issue Department

The Issue Department is funded by interest-yielding assets which are held to back the notes in circulation. The interest earned on these assets is used to fund the costs of note production and supply. The net profits/losses of the Issue Department are referred to as seigniorage, and paid/claimed directly to/from HM Treasury via the National Loans Fund (NLF), an account held at the Bank by HM Treasury. The £4,438mn net seigniorage income is comprised of income and profits of £4,501mn, less £57mn expenses and a buffer withheld by the bank of £6mn. The increase in income and profits is mainly driven by increased interest earned on the deposit with the Banking Department.

TFSME income

TFSME income fell year on year to £6,335mn, a decrease of £1,809mn, as a result of early part and full terminations of TFSME loan and maturities during the year. The income is largely offset as corresponding reserve balances are remunerated at the Bank Rate. The Bank earns a small amount of penalty fee income for those participants whose net lending over the TFSME reference period was negative.

Combined income statement

Combined expenditure by function[a]

	2025 (£mn)	2024 (£mn)
Policy functions		
Total policy expenditure	303	251
Expenditure on policy functions	**303**	**251**
Remunerated functions		
Notes issue costs recharged to the Issue Department	60	72
Government agency services	16	13
Payment and settlement	94	98
Banking services	36	31
Other functions	8	8
Expenditure on remunerated functions	**214**	**222**
Operations funded by levies		
PRA operational expenditure	330	303
PRA special projects	12	10
PRA enforcement expenditure	2	2
Financial Market Infrastructure	17	13
Expenditure on operations funded by levies	**361**	**328**
Net legacy items in relation to pensions and property[b]	(23)	(24)
Expenditure on other functions	**(23)**	**(24)**
Total Banking Department	**855**	**777**
Issue Department	**57**	**72**
Internal charges and settlements under seigniorage arrangements	(57)	(72)
Total combined expenditure	**855**	**777**

(a) Combined expenditure by function represents the aggregation of the Banking Department and Issue Department, adjusted for internal charges and eliminations under seigniorage arrangements. The separation of Banking and Issue Department for accounting purposes is required by statute. A summary 'combined' income statement and balance sheet as at 28 February 2025, aggregating the Banking Department and Issue Department is provided in this financial review. It is provided for information purposes only.

(b) Net legacy items relate to expenditure items funded from the Bank's retained earnings primarily driven by interest income on the net pension assets.

This year, the Bank's priority has been to deliver its core purposes of monetary and financial stability consistent with its statutory objectives, against the backdrop of demanding geopolitical developments and continued uncertainty and volatility in the UK and global economy.

Alongside this, the Bank has continued to assess the case for a digital pound, while also implementing new financial stability market tools and multi-year programmes to refresh an ageing technology estate by implementing more widely adopted industry-standard solutions. The development of the RTGS system replacement is nearing completion.

Total expenditure for 2025 was £855mn. This was lower than the Bank's expenditure budget of £892mn. This is a result of higher capitalisation of RTGS investment costs and a revision to the implementation date in order to improve recovery capability and enable further familiarisation for the operators. In addition to this, for UK central bank digital currency (CBDC), more of the experiment costs are anticipated to be incurred in the next two years.

Policy functions

	2025 (£mn)	2024 (£mn)
Income		
CRD income	–	135
BoE Levy income[(a)]	299	–
SONIA (Sterling Overnight Index Average) licence income	2	1
Access to the Sterling Monetary Framework (SMF) income	2	4
Total policy income[(b)]	**303**	**140**
Expenditure (by policy area)		
Monetary Analysis and MPC	55	44
Markets, Banking and Payments	80	69
Research, Data and Analytics	49	33
Financial Stability Strategy and Risk	31	30
Resolution	20	21
FMI[(c)]	17	17
PRA[(d)]	16	14
International	17	12
Central Bank Digital Currency (CBDC) and Fintech	18	11
Expenditure on policy functions[(e)]	**303**	**251**
Net (deficit)[(f)]	**–**	**(111)**

(a) BoE Levy income is the total amount charged to industry for recovery of operational policy costs. Transitional costs for the replacement of the CRD scheme with the BoE Levy net to nil and comprise the net interest cost of retaining the legacy CRD gilt portfolio and the costs of transition charged to industry.

(b) SONIA Licence and SMF access fee income are specific income streams for activities included within policy function expenditure.

(c) Relates to FMI policy costs that are funded by the BoE Levy (previously the CRD scheme). A portion of FMI costs are separately funded by an FMI levy.

(d) Relates to work completed by the PRA on behalf of the Bank's financial policy areas. These costs are recovered through the BoE Levy (previously the CRD scheme) and not the PRA levy.

(e) The policy costs by business area are split between monetary policy and financial stability based on the cost of the activities in each area that are deemed to support monetary policy and financial stability objectives respectively.

(f) See page 37.

On 1 March 2024, the BoE Levy replaced the Cash Ratio Deposit scheme as a means of funding the costs of the Bank's monetary policy and financial stability operations.

Policy costs until end of 2024 were funded through the Cash Ratio Deposit scheme. Following implementation of new legislation these costs are now funded by the BoE Levy. Expenditure on these policy functions was £52mn higher than the prior year at £303mn, this was driven by policy analysis and support of the Bank's data and research agendas, including research into the case for a UK retail CBDC, the future of the Bank's balance sheet and the future payments landscape. The introduction of the BoE Levy as a funding mechanism means that operational costs are now fully recovered, resulting in a net surplus/deficit of nil (2024: deficit of £111mn).

Remunerated functions

Expenditure decreased by £8mn to £214mn (2024: £222mn). This was driven by lower notes costs as a result of lower note production volume.

Prudential Regulation Authority

Combined operational and enforcement expenditure and special project costs for 2025 increased by £29mn to £344mn (2024: £315mn). This increase in costs reflects the Bank and PRA's continuing investment to address the risks of an ageing technology estate by implementing more widely adopted industry-standard solutions. Expenditure also reflects the PRA's proactive preparation for emerging risks in the financial system, including operational resilience.

Issue Department

Expenditure on the Issue Department decreased by £15mn to £57mn (2024: £72mn), due to lower note production volume.

Combined balance sheet

	2025 (£mn)	2024 (£mn)
Assets		
Loans and advances	833,384	911,388
Securities held at fair value through profit or loss	14,367	6,749
Financial instruments held	16,427	17,732
Other assets	5,900	8,922
Total assets	**870,078**	**944,791**
Liabilities		
Deposits	755,079	834,900
Notes in circulation	90,593	87,018
Foreign currency commercial paper in issue	9,006	5,882
Foreign currency bonds in issue	6,666	6,324
Other liabilities	3,137	5,259
Capital and reserves	5,597	5,408
Total equity and liabilities[a]	**870,078**	**944,791**

(a) Banking Department total assets (£868,578mn) plus Issue Department total assets (£90,593mn) minus Issue Department deposit with Banking Department (£89,093mn).

The combined balance sheet decreased by £74.7bn in 2025, primarily attributable to a decrease in the loan to the BEAPFF. This decrease is a result of repayments of the loan to the BEAPFF which corresponds to the reduction in the stock of assets held in the APF during the year.

Financial review of the Banking and Issue Departments

Banking Department

The Banking Department's financial statements for the year ended 28 February 2025 are shown on pages 104–95 and reflect a profit before tax of £128mn (2024: £32mn) and tax charge of £30mn (2024: Tax credit of £1mn). The profit retained by the Bank was £98mn (2024: £33mn), and the amount payable to HM Treasury in lieu of dividend amounts to £nil (2024: £nil) due to the LAC position being below the £3.5bn threshold, in line with the capital framework.

The statement of comprehensive income reflects a net increase for the year of £205mn (2024: increase of £337mn), comprising a post-tax operating profit of £98mn (2024: £33mn) and 'Other comprehensive income' totaling £91mn, net of deferred tax (2024: loss of £49mn).

'Other comprehensive income/(loss)' includes a net increase in the fair value of assets held at 'fair value through other comprehensive income' of £128mn, net of deferred tax (2024: increase of £24mn), retirement benefit remeasurement decrease of £20mn, net of deferred tax (2024: decrease of £61mn) and property revaluation losses of £17mn, net of deferred tax (2024: loss of £12mn).

The balance sheet of the Banking Department decreased during the year to £868.6bn as at 28 February 2025 from £943.3bn as at 29 February 2024.

The main changes in Banking Department assets were due to a reduction in the loan to the BEAPFF as a result of the programme set out by the MPC most recently in September 2024 to reduce the stock of assets held in the APF. The proceeds from these activities have been used to repay the loan from the Bank.

'Capital and reserves' increased to £5.6bn (2024: £5.4bn). The Bank's retained earnings are predominantly invested in gilts. The Banking Department's holdings of gilt securities totalled £13.6bn at 28 February 2025 (2024: £15.1bn).

At 28 February 2025, the Banking Department balance sheet contained £15.7bn of liabilities associated with the management of the Bank's foreign exchange reserves (2024: £12.2bn).

Issue Department

The statements of account for the Issue Department (which are provided on pages 196–200 reflect net profits from note issue of £4,438mn (2024: £4,256mn), payable in full to HM Treasury. The increase of £182mn was due to increased interest earned on the deposit with the Banking Department during the year and lower note production costs. In 2025, gilt revaluations contributed £11mn to income (2024: £16mn).

Notes in circulation increased year on year, and totalled £90.6bn as at 28 February 2025 (2024: £87.0bn). The market valuation of gilts held by the Issue Department was £1.1bn as at 28 February 2025 (2024: £1.1bn). The 'Ways and Means advance' to HM Treasury remained at £370mn as at 28 February 2025.[15]

15. The Ways and Means facility functions as the Government's overdraft account with the Bank of England (the Bank), ie the facility which enables sterling cash advances from the Bank to the Government.

Risk management

In order to discharge our mission, the Bank must ensure its own financial and non-financial risks are well managed.

Global risks associated with geopolitical developments, fragmentation and pressures on sovereign debt levels are material. Indicators of global financial market volatility have risen, exposing the Bank to market-wide shocks and asset price corrections. The Bank monitors the potential impact of such volatility on its own risk profile, including on collateral valuations and credit quality. Stress tests are conducted to confirm the Bank's capital resilience and contingency planning ensures responsiveness to shocks that may arise.

At the end of April 2025, the Bank successfully delivered a major project to renew its Real-Time Gross Settlement (RTGS) service, delivering a more innovative and resilient sterling settlement system to support monetary and financial stability. Execution risks were carefully managed to ensure a safe go-live.

The Bank continues to progress several projects to modernise its broader technology estate, balancing delivery capacity, budget, and operational risks.

Risk governance

The Court of Directors

Court has responsibility for the overall governance of the Bank, including the Bank's risk management and internal control systems. It takes the lead in setting a strong risk management culture across the Bank and oversees the governance structures through which the Bank's risk management strategy is implemented.

Court has monitored the Bank's risk profile throughout the year. This has included reporting directly from the Executive Director, Risk and via the Bank's Audit and Risk Committee.

Court has also performed its annual review of the effectiveness of the Bank's risk management and internal control systems and assessed the Bank's principal and emerging risks. Court's review was facilitated by an attestation exercise through which Executive Directors and Directors with a direct reporting line to a Governor or the Chief Operating Officer confirm compliance with the Bank's risk management and internal control requirements in the areas for which they are responsible.

Based on its monitoring and annual review, Court confirms that appropriate risk management and internal control systems were in place and operated effectively throughout the year covered in this Report and up to the date of its approval sufficient to ensure the accuracy of the Bank's financial statements.

Court acknowledges that completion of the Bank's technology and systems modernisation programmes will, alongside a continued focus on project execution, underpin the future effectiveness of the Bank's internal control environment. However, our objectives, budget and capacity require that these large-scale, multi-year programmes are carefully prioritised, leading to slower change delivery and therefore longer periods of risk exposures in some areas than the Bank would ideally seek.

The Audit and Risk Committee (ARCo)

ARCo, a sub committee of Court, assists Court in its responsibilities relating to risk management, internal controls and financial reporting. ARCo receives reports on the Bank's risk profile, the operation of the risk framework and management of key processes. It reviews internal and external audit findings, ensuring timely completion of actions. The Chair of ARCo oversees the integrity and independence of the Bank's Internal Audit function. A report on the work of ARCo over the past year is included at pages 93–95.

Executive responsibility for risk

The Governor has overall executive responsibility for risk management. First-line risk management is delegated to Deputy Governors, Executive Directors and Directors. Second line financial and non-financial risk management functions are consolidated under the Executive Director, Risk, who reports directly to the Governor and indirectly to the Chair of ARCo. The Risk Directorate has unrestricted access to other specialist risk and compliance functions, for example anti-money laundering teams, ensuring a comprehensive view of the Bank's risk profile.

The Bank's Executive Risk Committee (ERC) oversees and challenges material risks to delivering the Bank's mission and prioritises the related mitigating actions. ERC is chaired by the Deputy Governor for Prudential Regulation and its membership comprises other key executives; it meets at least six times a year. Quarterly risk reporting is shared and agreed with ERC, Governors and the Chief Operating Officer, before submission to ARCo and Court.

Three lines of defence

The Bank operates a 'Three Lines of Defence' model:

First Line: The first line own risk and implement controls. The Governors and the Executive Directors manage, assess and mitigate day-to-day risks to the Bank's functions, processes and systems.

Second Line: The Risk Directorate enables the Bank to take risk with confidence by making sure it is managed within the tolerances approved by Court. The Risk Directorate owns the Bank's risk management framework and provides independent forward-looking assessment, oversight and challenge.

Third line: Internal Audit independently evaluates internal controls, risk management, and governance processes.

The Bank's Risk Management Framework

The Bank's mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability. Policy decisions are made by the statutory committees, which the Bank implements.[16] While the management of policy risks are reserved to the committees, the implementation of policy decisions exposes the Bank to a wide variety of risks which it seeks to manage through its risk framework.

The Bank's Risk Management Framework supports consistent risk identification, assessment and monitoring of risks to which the Bank is exposed, and oversight of the actions required to mitigate them. The framework specifies risk tolerances and provides an approach to managing risk within these limits.

Financial risks are translated into limits and thresholds to facilitate day-to-day control of exposures. Non-financial risks have an associated set of 'Critical Metrics' with defined thresholds that quantitatively articulate risk versus tolerance. Where risks are out of tolerance, action plans are developed to bring those risks back within tolerance.

Principal risks

Risks are categorised into principal risk types which include: operational risks; financial risks; legal risks; and conduct risks.

16. The Monetary Policy Committee, Financial Policy Committee, Prudential Regulation Committee and Financial Market Infrastructure (FMI) Committee.

Operational risks

The Bank faces various operational risks through policy implementation and daily operations, including liquidity provision, RTGS operation, banknote production, and data analysis. During the year, the Bank continued to invest in mitigating prominent operational risk themes including:

Technology obsolescence: over the year, the Bank maintained stable operation of technology services while implementing a multi-year, large-scale programme to address significant levels of obsolescence and modernise its technology. The extent and complexity of change has required careful prioritisation to balance delivery capacity and budget, while managing the operational risks associated with obsolete technology.

Projects and change management: the Bank is undertaking a broad range of change initiatives including technology modernisation, responding to the Bernanke Review recommendations, and the renewal of RTGS. The Bank's demanding and complex change portfolio spans many key functions, with complex dependencies and specialised technical requirements. The Change and Planning function oversees project planning, sequencing and delivery.

RTGS and renewal project: at the end of April 2025, the Bank successfully delivered a new core settlement engine for the RTGS service, modernising the technology architecture and strengthening operational resilience. This was a large-scale programme requiring the management of complex interdependencies and strong engagement with industry participants. Post go-live, risks to RTGS operations are being closely managed.

People: the success of the Bank is entirely dependent upon its people. This year, following consultation and agreement with key stakeholders, the Bank has made updates to the staff pension scheme that simplify and harmonise arrangements for employees. While the Bank is confident that the changes to pensions are positive for the large majority of staff, some cohorts of staff have been adversely affected. The potential people risks are being closely monitored.

Cyber: the cyber threat environment continues to evolve and remains elevated globally, exacerbated by the growing use of artificial intelligence by threat actors to drive advanced and persistent attacks. The Bank is continuing to invest in its cyber enhancement programmes and engage with relevant supporting organisations such as the National Cyber Security Centre to ensure our capabilities meet industry standards and keep pace with the changing threat landscape.

Artificial intelligence (AI): AI and machine learning techniques have continued to evolve rapidly. Pilot projects involving the bespoke application of AI to enhance the Bank's ability to process information are at an advanced stage. The Bank has formed an AI and Data Ethics Governance Committee (AIC) to put a more formal governance structure around the deployment of AI. The AIC is charged with developing and taking forward the Bank's AI strategy and policy as well as overseeing ethical considerations.

Operational resilience: with oversight from the Risk Directorate, the Bank maintains business continuity arrangements such that mission-critical processes are resilient to disruptive events. The Bank's approach to operational resilience is aligned to the expectations that have been set for firms and FMIs. During the year, the Bank conducted exercises to test its ability to meet impact tolerances and rehearse roles and responsibilities under its Critical Incident Management Framework.

Financial risks

The Bank is exposed to credit, market and liquidity risk in its operations to implement monetary and financial stability policies. The Bank seeks to maintain a level of its own financial resources that provides it with sufficient resilience to be able to withstand a set of severe stress scenarios without its capital falling below a defined threshold.

Financial risk management at the Bank is underpinned by a financial framework agreed with HM Treasury and codified in a Memorandum of Understanding (MoU).[17] The MoU describes the framework for determining the Bank's capital, ensuring it has the financial resources to meet its objectives. The financial backing for certain operations, where exposures exceed the Bank's loss-absorbing capital, may be backed by an indemnity from HM Treasury. In February 2025, the Bank and HM Treasury reviewed the Bank's capital framework, concluding that it remained effective.

In January 2025, the Bank announced the launch of the Contingent Non-Bank Financial Institution Repo Facility (CNRF), a discretionary tool that can be used to address potential severe liquidity shocks from gilt market dysfunction.[18] The Bank extended its risk management processes to enable the Bank to take on the financial and non-financial risks associated with the potential activation of the CNRF.

The Bank's quantitative easing (QE) programme assets are held in the Asset Purchase Facility (APF). Purchases made by the APF are funded by a loan from the Bank, with interest charged at Bank Rate. As of 28 February 2025, the APF portfolio value was £654.5bn (down from £744.3bn as of 29 February 2024). The APF is indemnified by HM Treasury, with gains

17. www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship.
18. www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/cnrf.

or losses accruing to them. Net cash flows under the indemnity are transferred quarterly between the APF and HM Treasury. Detailed future cash flow modelling is conducted, with key scenarios published quarterly.

Conduct and internal policy compliance risks

The Bank faces conduct risk if staff fail to comply with policies or if staff otherwise undermine public trust in the Bank. The Compliance Division, which sits within the Risk Directorate, works with areas to ensure policy awareness, understanding and compliance. The Compliance Division determines the consequences for breaches of internal policies and works to foster a culture of policy adherence through training and other activities. Within the Compliance Division, the Data Protection Officer and Privacy team ensure compliance with data protection laws.

Legal risk

Legal risk is the risk that the Bank, or its staff, act unlawfully or fail to take the necessary or sufficient action to protect the Bank's position. Court has determined that the Bank has no tolerance for a deliberate breach of statutory, regulatory or other legal requirements.

Emerging risks

The Bank scans for emerging risks within the changing external environment.
Key emerging risks include:

- **Geopolitical risks:** elevated uncertainty in international trade, financial regulation, and co-operation may impact the Bank's risk profile through asset price shocks and operational threats. These risks are being actively monitored.

- **Outsourcing:** increasing levels of outsourcing, especially in IT, raises cyber and information security risks from third and fourth parties. The Bank is enhancing risk management capabilities and focusing on security assurance with third-party providers, particularly in Cloud services.

- **Emerging Technologies and advanced AI:** the Bank aims to leverage AI to enhance operations and support its mission. A key risk is that the Bank falls behind in the adoption of new technologies. An AI taskforce monitors developments, integrates skills into the People strategy, and assesses vulnerabilities in high-risk areas.

Our people

Our people are central to our mission. Our colleagues have continued to demonstrate adaptability and determination to use their skills to navigate a challenging external economic environment.

Our culture

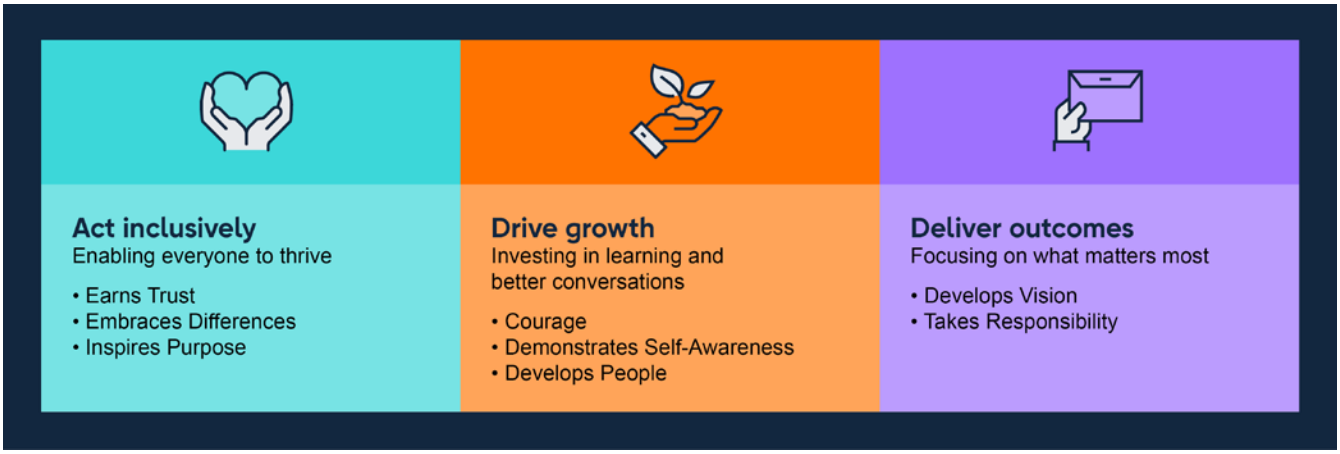
We want to make the Bank an even better place to work, with compelling reasons to join and stay. We focus on attracting, developing, nurturing, retaining and motivating colleagues who are committed to the public we serve.

A key focus this year has been on enabling and incentivising colleagues to continuously deepen their core specialist skills and capabilities which underpin our work. This includes technical skills development in areas such as economics and supervision.

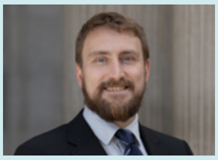
Alongside this, we are committed to supporting our people managers build the skills that allow them to bring the best out of our people, and enabling our leadership to have the skills and confidence needed to face into challenges of national importance.

Last year, we launched a Senior Leadership Development Programme for all members of our senior leadership team. This programme enables us to invest in our leaders.

How colleagues perform their work is as important as the work they undertake. Our Bank Behaviours, launched in 2023, set out how we do things, how we treat others, and how we expect to be treated.



Case study: Management Development Programme



David Latto
Senior Economic Advisor

I have been fortunate to secure a place in the pilot cohort for the Bank's new Management Development Programme.

The programme is designed to help develop the Bank's management and leadership capacity – be it for newly appointed managers such as myself, or more experienced leaders. It combines teaching some practical tools, scenarios designed to illustrate the real-world benefits of good management practices (and pitfalls associated with poor practices!), sharing of experiences with peers, and reflection on our own management approach.

The timing of the programme has been perfect for me, as I am building a new team to help implement the recommendations of the Bernanke Review into the Bank's approach to forecasting under uncertainty, within the Monetary Analysis Directorate. The programme has highlighted the benefits of using tools like Situational Analysis Mapping, Peer Consultation, Courageous Conversations, and Adaptive Design Thinking to become a more effective manager.

It also sheds light on how I can adapt my approach when facing technical versus adaptive challenges, and how coaching can help me support the development of my colleagues. It was striking how much commonality there is in management experiences across very disparate parts of the Bank, and the cohort gained a lot from reflecting on each other's experiences. I look forward to putting the learning into practice as my team comes together!

Skills and talent

We continue to put skills at the forefront of how we think about the talent of our people. This is helping us identify the skills we need now, and in the future, to deliver our mission, enabling us to make the most of our talented staff.

To do this we are bringing people together with shared professional skills regardless of business area and location to learn, challenge and stay connected to best practice by establishing a Professions Framework. By developing career pathways, learning and in-role experiences to support individuals to move around the organisation with equal opportunity, we are ensuring we have in demand skills where we need them.

We have been exploring how we give colleagues a sense of progression through skills development, ensure equity of opportunity based on skills and potential, and invest in talent development.

Creating internal capability is essential for building a resilient and adaptable workforce. Colleagues can apply for internal lateral moves via our recruitment platform. This enables colleagues to diversify their skills and experiences, along with building cross-functional relationships.

Case study: Career Navigator Programme

Rachael Townsend
Analyst – Financial Crime

This programme aims to build the foundational skills to support colleagues who aspire to senior roles, to grow and develop.

In February 2024, I was successful in gaining a place on the H–K Career Navigator Programme (pilot) which is specifically targeted at staff in Scales H–K. The programme appealed to me due to recently changing career from the Public Sector (serving as a Police Officer) to the Bank. The change was a big transition, both within the workplace and from a personal perspective. I hoped the programme would assist me navigating this change.

The programme offered me the opportunity to widen my knowledge of the Bank, as well as a space to explore my values, skill set, and transferable skills. It also offered a supportive and structured setup, which assisted in prioritising my focus, vision and purpose, alongside outlining career goals and how to achieve these.

Within the programme I was allocated a career sponsor, whose support was invaluable and helped me develop my self-confidence. This translated positively in me recognising my skill set and how to apply this within the Bank and specific roles.

Learning and development

Lifelong learning is at the heart of our approach to development. This commitment enhances our workforce's capabilities and strengthens our culture of innovation and learning.

Case study: Talent development and career growth

Nimra Mahmood
Senior Regulatory Liaison Analyst

My journey at the Bank started in October 2017 when I completed a week-long work experience placement. This was an exciting opportunity, especially as I was studying Economics at A-Level. I was fortunate to shadow the Private Secretary to the Executive Director for Insurance Supervision. I thoroughly enjoyed my week and the insight to life at the Bank. It was incredible to see the Bank's work in action and experience a great working culture. What I expected to be a daunting experience turned out to be the opposite and I knew I wanted to return.

I joined the Bank in September 2018 on what was then known as the School Leavers Programme. I also gained a place on the Economics Degree Apprenticeship in 2019, later earning a BSc in Economics in 2023.

I have had several roles in the Bank and, in what was a full circle moment for me, was most recently Assistant Private Secretary to the Executive Director for Insurance Supervision. This was a fascinating and varied role where I supported seniors with aspects of their work.

My career at the Bank has taught me the importance of networking, to always remain resilient, to have confidence in my abilities, and to consistently challenge myself. The Bank has been an amazing place to progress my career, and I am incredibly grateful to all the support I have received from colleagues over the years. I look forward to continuing my journey here!

We have improved how we support new colleagues joining the Bank. The aim is for all new colleagues to the Bank to feel welcomed, have a positive and engaging experience, and have access to information to help them successfully land at the Bank.

Through our apprenticeship offering, existing colleagues can undertake a programme of learning across many topics. These range from a Level 3 (equivalent to A-Level) to Level 7 (Master's degree).[19] Our Future Talent offer also means that we recruit new joiners onto our apprenticeship programmes to either complete a Level 4 apprenticeship or Level 6 degree apprenticeship, and graduates have had the opportunity to study for a Level 7 Master's degree apprenticeship.

Case study: Apprenticeships

Annabel Williamson
Supervisor

My journey as an Economics degree apprentice began two months after finishing my A-Levels in August 2021.

I have always relished a challenge and developed itchy feet during my last few years at school. I could not wait to get out into the 'real' world and start my career. However, I wanted to balance this with my desire to continue my studies. Therefore, when I came across the Bank's degree apprenticeship programme, which offered working in a prestigious organisation, without having to compromise studying an Economics BSc, it felt too good to be true!

In August 2021, I approached Threadneedle Street for my first day, not really having a clue about what to expect. To think how much has changed in four years is phenomenal. I am approaching the final few months of my degree, which has been coupled with transformational professional and personal development. I could never have envisaged having some of the skills, confidence or opportunities that these last four years have presented me with.

If I had to pinpoint the most pivotal learning of the journey so far, it would certainly be that every experience offers the chance to develop. I used to fear complications, but I have come to realise that these challenges have helped me build the resilience to tackle everything life throws my way – including in my personal life. And knowing that this is just the beginning, to think where I could be in another four years is inspiring. I cannot wait to see what the future holds!

19. We are revising our level 7 apprenticeship offering in light of the Government's recent announcement regarding changes to the funding for level 7 apprenticeships.

Flexible working across our offices

We have supported flexible working for many years and continue to do so. We are committed to job sharing, part-time working and hybrid working.

Colleagues have the flexibility to work across the UK from our offices in London and Leeds.[20] Our Location Strategy Project is focused on helping to deliver this.

We are focusing on a growing a significant, sustainable and permanent presence in Leeds. In 2023, the Bank opened an expanded office at Yorkshire House in Leeds which currently accommodates over 100 staff. Last year, we announced our commitment for 500 colleagues to be based in Leeds by 2027. The headcount target will be achieved through a combination of voluntary internal relocations and new Leeds-based recruitment.

The Bank has had a significant presence in Leeds for nearly 200 years. The city has a strong financial and professional services sector, considerable commercial real estate opportunities, extensive higher education sector in the region, and data, AI and green finance initiatives that can support the Bank's current and future skills needs.

Recruitment

We have continued to review and implement improvements to our strategies to attract top talent this year. This includes our approach to expanding our presence in Leeds (and more broadly across the north of England) to build our employer brand in the city to reach and attract new candidate pools.

This year, we continue to further refine our recruitment strategy to enhance the candidate experience through our new recruitment platform. This helps us to streamline our processes to decrease the length of time taken to recruit experienced hires.

Inclusion

We are committed to fostering an inclusive culture where all colleagues feel valued and can thrive. We seek to embrace and promote a sense of belonging to create an environment where all colleagues feel able to reach their full potential.

20. www.bankofengland.co.uk/careers/our-locations.

Case study: Location Strategy Project in Leeds

Vicky Murray
Technical Specialist

I joined the Bank in April 2023 having spent most of my career in the Civil Service. Just over a year into my new career, the Bank announced the expansion of the Leeds office and were supporting colleagues to relocate. With a house purchase having just fallen through in London, it was like a ‘sign’.

I had a chat with my Head of Division, to see if they would be supportive of this and they absolutely were, as was my Line Manager. They continued to be supportive throughout my protracted house purchase. In fact, the whole Insurance Directorate at times felt like they were invested in my move.

I have been living in Yorkshire since February 2025. I have not looked back from the moment I left the safety net of the M25. Where I live fills me with joy and the office is unique in the exposure it gives to different areas of the Bank. I think it would likely have taken me my whole career to achieve this level of exposure had I stayed in London.

I also have the bonus of getting to spread the work of the Insurance Directorate and of the Age Network, as I am one of the Co-Chairs. To top it all, I finally have the work-life balance I have always craved, so it really is a win all round.

Each year, we mark National Inclusion Week. In 2024, the theme was ‘Impact Matters’. This centered on taking inclusive actions that drive sustainable change and supports how the Bank achieves its mission.

Our active staff-run networks support advancing our culture and improving the experiences of colleagues, as we strive towards a more inclusive and equitable workplace. The networks organise a broad programme of events to bring our communities together, create a sense of belonging and help us to drive positive change.

Ethnicity

The Court Review of Ethnic Diversity and Inclusion identified the need to improve colleagues’ experiences, improve the employee life cycle, and develop frameworks and initiatives to achieve racial/ethnic inclusion.[21] As a result, we have been implementing a plan to help improve ethnic diversity and inclusion.

To support ongoing focus and accountability, the Bank has set the following Minority Ethnic diversity targets for 2028:

- 18%–20% of our senior managers to be Black, Asian and minority ethnic.
- 23% Black, Asian and minority ethnic representation in roles just below senior management.
- 20% of new appointments at Executive Director and Director level to be Black, Asian and minority ethnic.
- 5% of our managers and above to be Black (including mixed ethnic background).
- 10% of graduate intake to be Black (including mixed ethnic background).

The underlying assumptions of our targets will be reviewed later this year to ensure they remain relevant. Two out of the five targets are on track, with our progress for senior manager representation exceeding the initial projections. Our two Black-heritage specific targets are closely following our expectations but are just short of meeting the target for this year. Our target for Executive Director and Director appointments is lagging. Building a diverse pipeline for these senior positions over the medium term will be important to maintain momentum.

Disability Inclusion Programme

The Bank-wide Disability Inclusion Programme commenced this year to ensure that colleagues with disabilities can achieve their potential and feel included.

A complete overhaul of our Workplace Adjustments Services has been successfully delivered. These services ensure that colleagues with diverse needs and abilities can thrive in the workplace, and support their overall wellbeing.

The Workplace Adjustment Service caters for all colleagues who may benefit from a workplace adjustment to perform effectively at work. It includes colleagues who have a disability and/or mental health diagnosis, are returning from a health-related absence, or whose own health may be impacted by caring responsibilities.

21. **www.bankofengland.co.uk/report/2021/court-review-of-ethnic-diversity-and-inclusion**.

Case study: Workplace Adjustments Service

Alan Mankikar
Head of External Engagement Division

I joined the Bank in 1999. I currently co-Head the Bank's Agency Network, who gather economic intelligence from across the UK for the Bank's policy committees.

I have glaucoma, a condition in which high eye pressure damages the optic nerve, leading to worsening vision. My sight has deteriorated every day for the past 2½ years. This has been an incredibly challenging period for me physically and mentally as my work and home life have become much more difficult.

Together with other great support from the Bank, my manager and colleagues, one of the main reasons I have been able to continue working is the fantastic help from the Bank's Workplace Adjustments and Assistive Technology Teams. They have ensured I have the adjustments I need to carry out my role as effectively as before. These include screen-reading and magnification software, keyboards and screens designed for the visually impaired, an iPad (which allows me to view things much more easily than my laptop) and adjustments to the office space I use, for example, the lighting and blinds.

It also gives me great reassurance to know that if/when my sight continues to deteriorate, they will ensure that any further reasonable adjustments are put in place to enable me, hopefully, to continue to work and contribute to the Bank's important work.

I feel extremely fortunate to have such great support.

Gender

Our Gender Action Plan draws upon both internal and external analysis and evidence. The plan is designed to achieve gender equality at the Bank on a sustained basis.

It focuses on nurturing a pipeline of female talent at all levels, and improving women's experience at the Bank. It is aimed at addressing barriers to progression for women and helping foster a more inclusive environment.

One of the measures of success of the Gender Action Plan is to achieve our three gender targets by 2028. As previously committed to, in 2025 we will be reviewing the assumptions used when setting the 2028 gender targets.

Our gender targets are:

- 40%–44% of our senior managers to be female.

- 43% female representation in roles just below senior management.

- Gender parity on new appointments at Executive Director and Director level.

Of the three gender representation targets, the first two are on track. Our third target – parity on new appointments at Executive Director and Director level – is currently lagging; we continue to have parity of representation at Executive Director level, with 50% female representation. The progress made in representation at senior manager level will be important in building the Director pipeline, and we are continuing to take steps to build female representation and role models at our most senior levels of the organisation.

As we look to the future, we are developing a broader inclusion strategy for the next three years.

Rewarding colleagues fairly – our gender and ethnicity pay gaps

We are committed to paying colleagues fairly for the work they do. This includes paying a minimum of the Real Living Wage (London Living Wage or UK Living wage outside of London), ensuring that our roles are regularly benchmarked against relevant external comparators, and undertaking regular ‘Equal pay’ analysis.

In line with government guidance, we report on our gender pay gap each year and we also voluntarily report on our ethnicity pay gap, based on a similar methodology.

The gender and ethnicity pay gap looks at the difference between average hourly earnings across the whole organisation, regardless of role or level (this differs to ‘Equal pay’ which compares pay for those who do ‘like work’, work rated as equivalent and work of equal value).

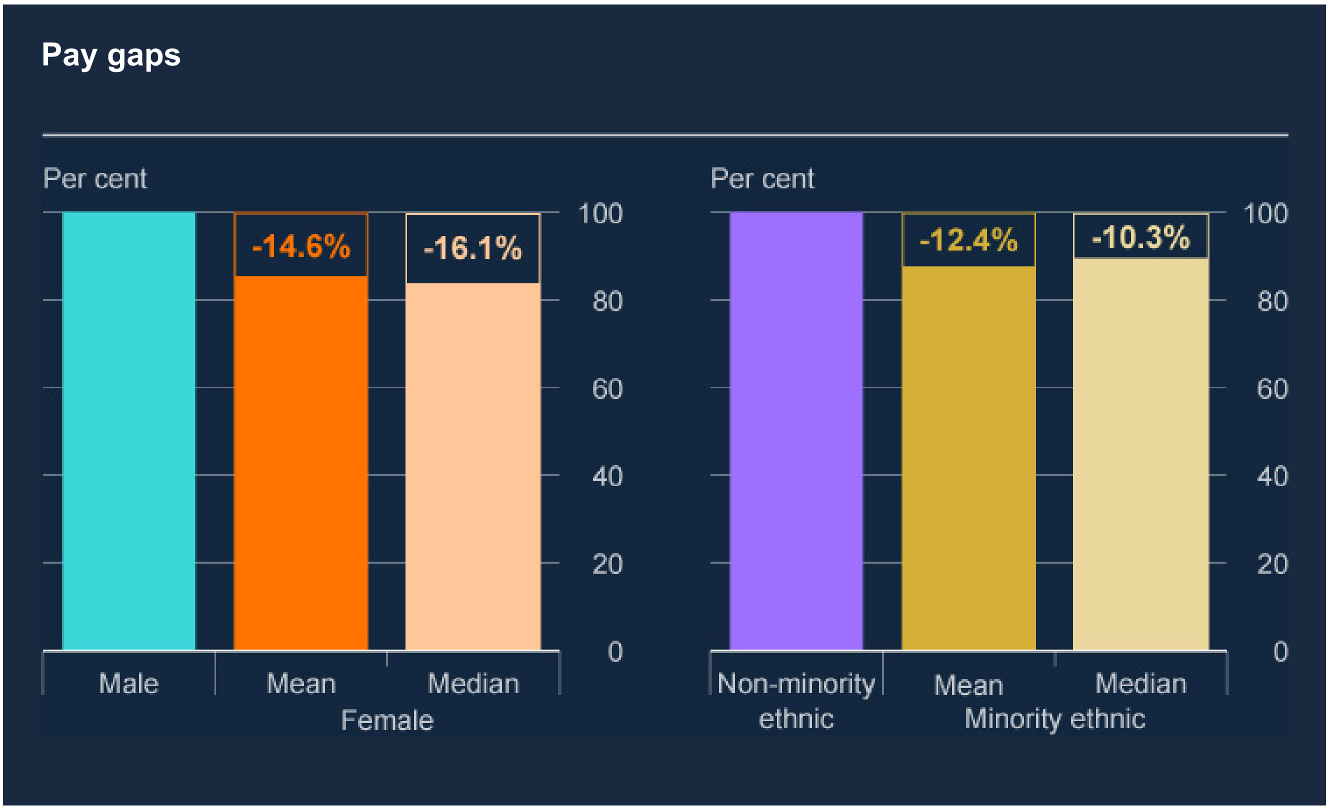
The gender and ethnicity pay gaps at the Bank are predominantly driven by an imbalance of male to female and white to minority ethnic staff at different levels of seniority. Working towards our target representation at senior levels across both gender and ethnicity, along with improving parity across scales, will have a positive impact to help reduce our pay gaps in future years.

For 2025:

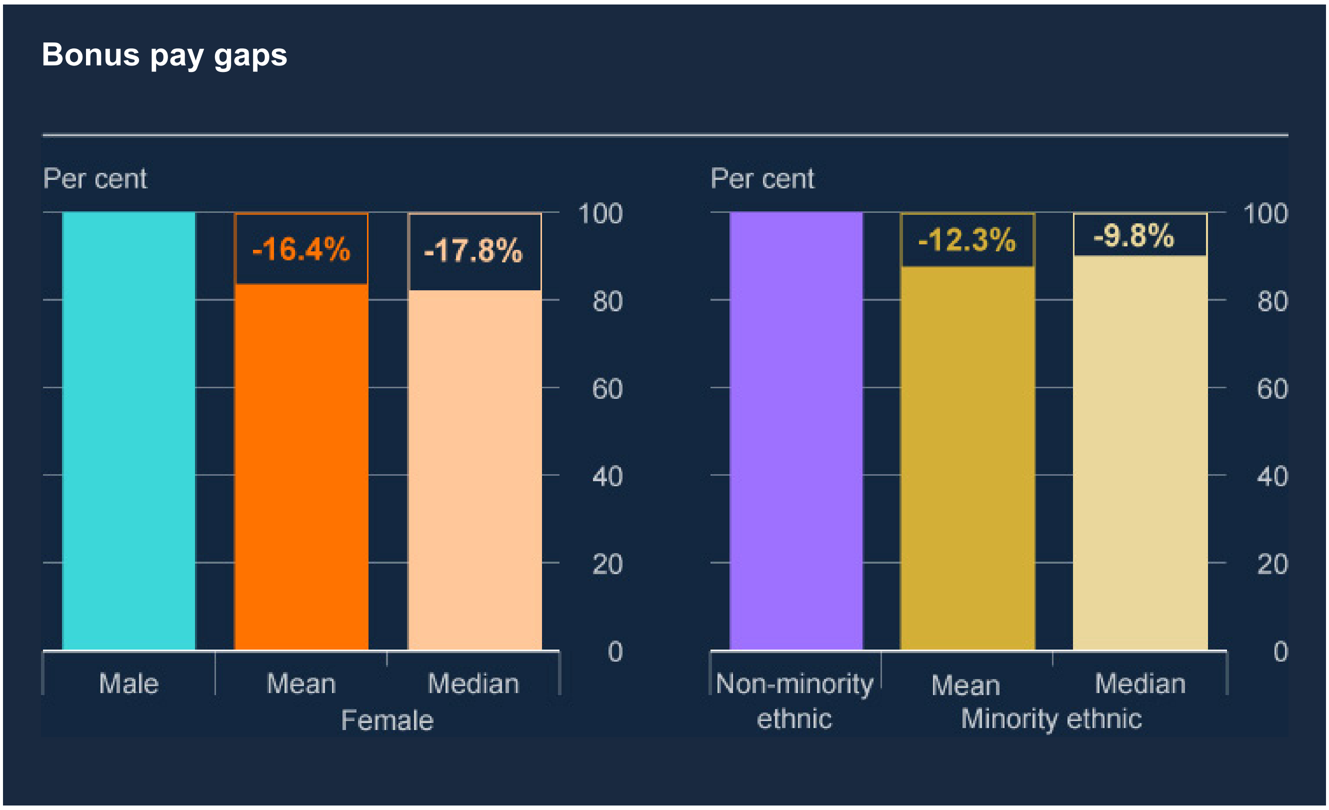
- **Our mean gender pay gap has decreased and as of March 2025 is 14.6%, down from 16.0% in 2024. The median gender pay gap has also decreased, from 16.6% last year, to 16.1% this year.** The reduction in the gender pay gap can primarily be attributed to an increase in female representation at senior scales.

- **Our mean ethnicity pay gap as of March 2025 is 12.4%, up from 12.1% in 2024. The median pay gap has increased, from 8.6% last year to 10.3% this year.** The increase in our ethnicity pay gap is predominantly driven by our recent recruitment trends. To support our aims to build an ethnically diverse talent pipeline for the future, we are continuing to increase our minority ethnic representation, predominantly at mid to lower levels of the organisation. Currently the overall trend has had the impact of driving down the median hourly pay of ethnic minority colleagues, relative to that of white colleagues, and as a result particularly impacted our median ethnicity pay gap for the last few years. While we are making progress in increasing senior minority ethnic representation, there are still opportunities to build on this. Over time, our focus on supporting the development of minority ethnic colleagues and building more diverse representation at all levels of the organisation, especially at more senior levels, will help see this gap reduce.

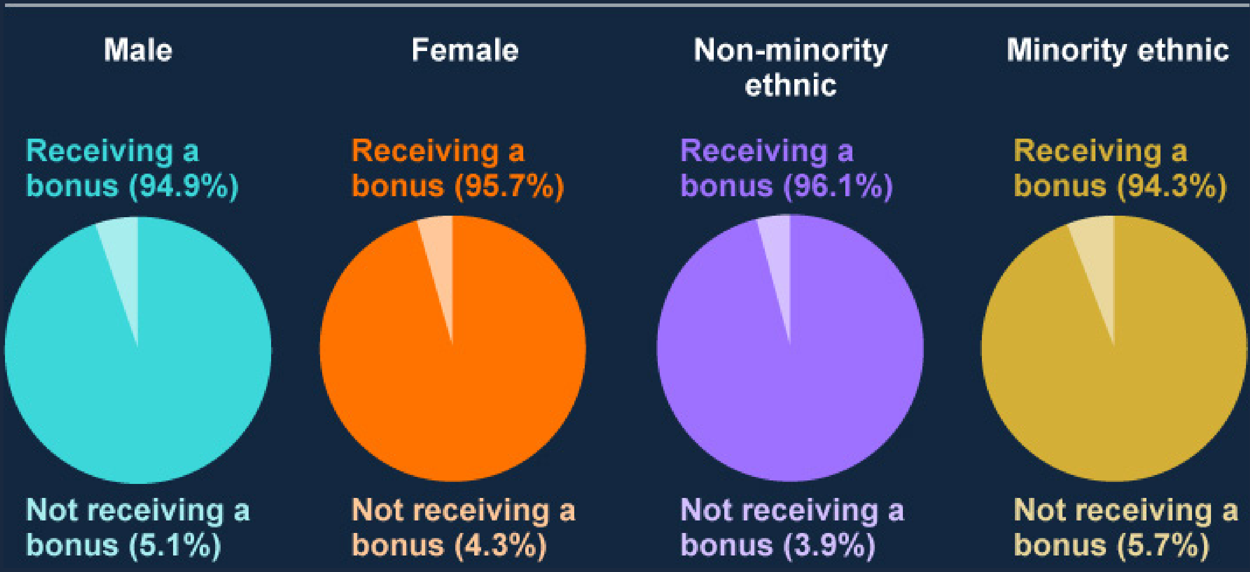
The pay gaps include most cash elements of pay – including base pay and other allowances. Looking at base pay alone, we have a mean gender pay gap of 13.4% and a mean ethnicity pay gap of 11.5%.



The pay gap figures are based on hourly rate of pay as at 31 March 2025 and the bonus pay gaps are based on bonuses paid in the year to March 2025.

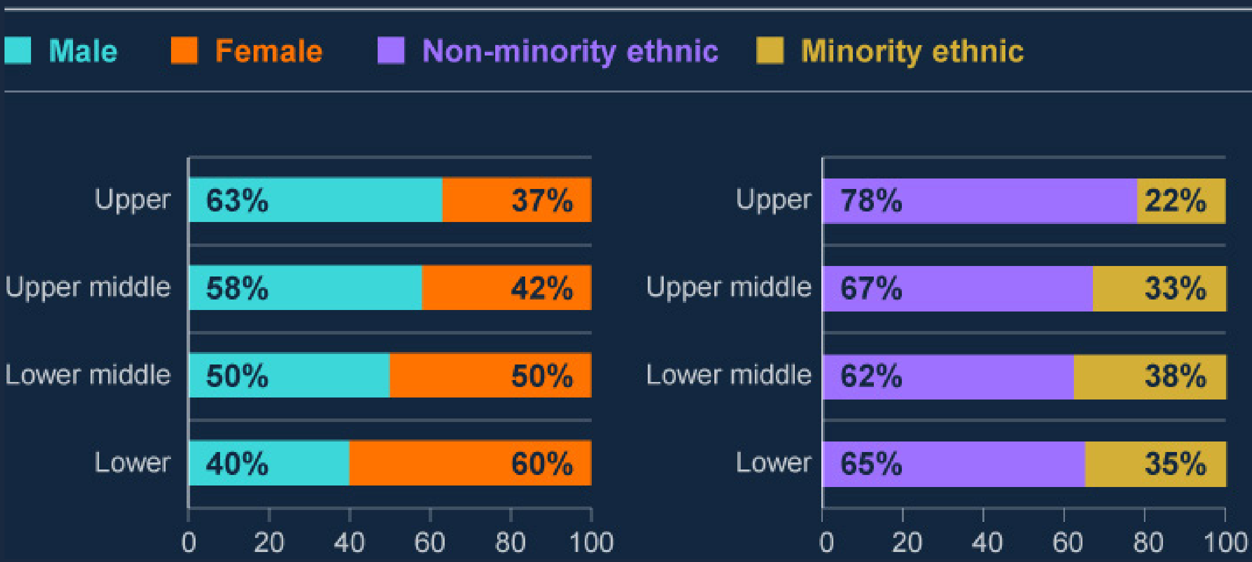


Proportion of colleagues receiving a bonus



All colleagues at the Bank (excluding Governors and COO) are eligible for a discretionary annual performance award, dependant on performance and start date within the performance year.

Proportion of colleagues in each pay quartile



This chart shows the gender and ethnicity split when we order hourly rate of pay from highest to lowest and group into four equal quartiles.

Top: Bank of England Citizens' Panel in Leeds.
Centre: Bank of England Citizens' Panel in Leicester.
Bottom: Bank of England Citizens' Panel in Cardiff.

Social responsibility

Outreach

Our outreach programme allows us to engage with people across the UK on a range of issues. During the year, as part of our Citizens' Forum, we held 17 in-person panel events, including at least one in each of the English regions and devolved nations and one virtual event that was open to all. A key focus of all these sessions was the continued impact of the cost of living on households. We also heard participants' views on the future of money and the UK housing market. Participants also had the opportunity to question senior members of Bank staff about our policies and decisions.

We held 16 Community Forum events across the UK. Charities, community groups, and other organisations from the third sector shared with us the issues affecting their service users and the financial outlook for their own organisations. Many reported that needs of individuals are becoming more acute and complex. A challenging funding environment, coupled with higher levels of demand brought on by the higher cost of living, has led organisations to expect an even more challenging year ahead.

Community

Our programmes give colleagues opportunities to build their network through sporting and social activities and offer ways to support the local community. Through our charity partnerships, chosen by colleagues, a shared sense of purpose is created through fundraising for different causes. We raise awareness of these charities and have continued to partner through the year with three charities, representing different causes in our society. We will work with The Childhood Trust, Shout (powered by Mental Health Innovations) and Trussell until end of October 2025. In the first year of our partnership, we raised over £139,400 which was shared between the three charities.

This was achieved through colleagues' continued support of Microhive (formerly Pennies from Heaven) which has been offered for over 10 years – a simple and effective scheme to donate from payroll in 2024. Our colleagues were again recognised for our social impact as a Microhive Platinum Award winner. We also held fundraising events, including a quiz night and a games show night. Our Bank of England bees also support our staff charity fundraising as we ballot the jars of honey they produce to staff, and we also marked World Bee Day for the first time as part of our fundraising campaign.

We have a history of holding charity auctions when new banknotes are issued. In 2024 we issued our King Charles III banknotes and held an auction of all four denominations with low or specific serial numbers. We also held a public ballot for a full set of the four denominations. In total £914,447 was raised and 10 charities benefited, all of which were current or former charities of the year chosen by staff.

Our support in the community also extends across multiple causes through colleagues' personal fundraising and volunteering which we support through our matched funding scheme. We recognise colleagues' exceptional involvement in the community annually at our Court Awards – an internal scheme which supports charities or schools based on colleagues fundraising or volunteering.

In addition, we also offered volunteering opportunities during the year with two of our partner charities of the year, increasing the impact of the relationship, giving colleagues the opportunity to support local food banks and refurbish children's playgrounds. Colleagues that work in our agencies also support local charities in their local community that they meet during the course of their work. As we develop our presence in Leeds, we have supported the local food bank and also a baby bank, and will increase other opportunities in the year ahead.

Our social mobility agenda has continued to grow particularly with the introduction of the Mel Beaman Student Programme. We recruited young people from lower socio-economic backgrounds who live in the Leeds area. Successful applicants were offered a place on the programme which includes work experience, mentoring and the opportunity of a bursary of £10,000. The work experience was a hybrid placement with days in our Leeds office as well as virtual days. Colleagues from across the Bank are mentoring the students, and the Programme is continuing to develop. We chose to focus on social mobility in memory of our colleague Mel Beaman who was committed to giving opportunities to other people and mentored many colleagues during her career.

Alongside this we have continued to offer work experience to students from all over the UK, from lower socio-economic backgrounds, working with charities such as the Sutton Trust and the Social Mobility Foundation. In addition, colleagues from our Legal Directorate have continued with their support of the Stephen Lawrence Scholarship Scheme, which offers Black men access to legal work experience, networking, and mentoring from legal professionals during their undergraduate studies. Legal colleagues have also started to support pro bono legal advice clinics in London and Leeds, giving over 200 hours of their time in a year. In the year ahead a Legal work experience placement will be offered to young people from lower socio-economic backgrounds.

Education

Our education programme focuses on supporting the development of financial and economic literacy in UK state schools. Volunteers from across the Bank visit schools in their role as Bank Ambassadors and speak to young people about the work of the Bank and the part we play in supporting the UK economy. Over the last year, Bank Ambassadors visited 379 schools across the UK. The education team have also visited primary schools to deliver banknote handling sessions exploring the historical figures depicted on our notes and what the future of money might look like.

In November 2024, the Bank hosted a conference for A-level economics students featuring contributions from economists working across the Bank. We also hosted an event focused on sharing research and good practice among organisations working in the financial education space. Our work continues to focus on engaging schools and communities located in areas with high levels of socio-economic deprivation and/or low levels of social mobility.

Museum

The Bank of England Museum welcomed 119,326 visitors during the year, around three quarters of which were school groups. The Museum team gave 112 educational presentations to 3,386 schoolchildren ranging in ages from 7 to 18. The team also delivered 118 tours, talks and other events during the year which were attended by 2,498 visitors.

The Museum launched a new exhibition, The Future of Money, exploring how money and the way it is used has changed in recent decades. The exhibition also showcased the new King Charles banknotes, offering visitors a glimpse of the new designs before their official launch. The exhibition attracted significant media attention including from social media influencers who the Bank worked with to engage younger adult audiences.

Another highlight was the Museum's first pop-up exhibition which formed part of the London Design Festival. Delivered in partnership with design agency KesselsKramer, the pop-up invited artists to explore what form money would take in future. KesselsKramer also hosted an online Barter Bank, where participants were able to exchange their art online with the help of an algorithm.

Court Awards case studies, Community

Brian Howell
Senior Actuary

My job is to provide technical support in the supervision of Life insurers, after almost 30 years working for life insurers. However, my passion is for helping the community and those around me.

At the Bank I have been a Community Champion for many years and have planned and promoted team challenges for Insurance Supervision since I moved over from the Financial Services Authority (FSA). I have also been lucky enough to help select the shortlist for the Bank charities of the year and have twice chaired the staff Review Panel for the Court Awards, most recently in early 2025. It is great to see so much work going into many worthy charities supported colleagues both in and outside the Bank.

Outside the Bank I am a trustee for two outdoor charities in Gloucestershire, Tewkesbury Nature Reserve and Cleeve Common Trust, so it is a good job that I now work part-time as I slowly move to my eventual retirement.

Karen Prince
Senior Communications Lead

My role is to ensure everyone in my Directorate feels connected to the business and the work we do, by fostering a sense of community and engagement among colleagues. Since June 2018, I have also been the Bank's beekeeper, initiating a project to utilise the green space at Debden to support our environment.

The Bank's bees have produced thousands of jars of honey which have raised over £20,000 for the Bank's charities of the year through various events, raffles and ballots for the Bank's honey. This has not only enhanced biodiversity but also raised awareness about the importance of bees in our ecosystem.

My contributions were recognised at the 2025 Court Awards, highlighting my commitment to sustainability and community involvement. It has been incredibly encouraging to see so many colleagues actively involved in supporting the bees and fundraising for our charities.

Court Awards case studies, Community

Nikhil d'Souza
Legal Counsel

My job is to provide legal advice to help colleagues in the Bank assess and mitigate legal risk. However, I am passionate about helping the community and those around me, and in my free time, I volunteer as a trustee of South Westminster Legal Advice Centre (SWLAC), a charitable organisation which runs legal advice clinics from The Abbey Centre in Westminster on Tuesday and Thursday evenings. I have been volunteering at SWLAC since 2018.

In 2022, SWLAC moved back from a hybrid model to its usual model of face-to-face advice to clients. Since that time, I have attended the Centre as a Supervising Lawyer at least three times a month, running the busy sessions and also advising clients as necessary. SWLAC advises on average between 20 and 25 clients per session, sometimes more.

I was recently recognised with a Court Award as a result of my volunteering at SWLAC. Other colleagues from Legal Directorate, as well as other colleagues across the Bank, support so many charities and causes in their free time which is great to see. I'm particularly grateful to the Bank for its support to the Bank Legal Directorate's pro bono programme, through which so many colleagues make a significant contribution of their personal time to support vulnerable people by enabling them to access free legal advice.

Procurement

We have continued to strengthen sustainable and responsible procurement at the Bank. As part of our implementation of new public sector procurement legislation (the Procurement Act 2023), we updated our Procurement Policy and templates to ensure that we are considering sustainable and responsible procurement practices and meeting our legal obligations with regards to the Government's National Procurement Policy Statement (NPPS). We continue to proportionately use specific responsible procurement evaluation criteria within our procurement processes to drive towards the Bank's sustainability goals.

This year we also significantly strengthened our third-party risk management processes. Notably, we have improved our tracking of risks and mitigation activities around health and safety, and impact on the environment. Our Supplier Code of Practice remains part of our terms and conditions thereby ensuring our supply chain adheres to ethical procurement principles.

Health and Safety

We monitor our health and safety performance and annually report to the Bank's Executive Risk Committee and Audit and Risk Committee.

The majority of Bank employees work in a relatively low risk environment and are therefore not routinely exposed to significant occupational health and safety hazards.

Accident instances remain relatively low, with a total of 22 recorded accidents involving employees during the year to 31 December 2024. Of those accidents recorded, there were three that were classified as reportable as defined by the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. This resulted in an Accident Injury Rate of 55 and was an increase on the previous four years where there were no reportable accidents.[22] Investigations were conducted with remedial action implemented where necessary to prevent reoccurrence.

The Bank continues to provide health and safety training to those working in areas undertaking higher risk functions.

22. The Accident Injury Rate is calculated by dividing the number of reportable accidents by the annualised number of employees multiplied by 100,000. This approach aligns with guidance from the UK Government's Health and Safety Executive, **www.gov.uk/government/organisations/health-and-safety-executive**.

Top: King Charles III banknote auction for 10 beneficiary charities.
Bottom: The Future of Money exhibition at the Bank of England Museum.

Environment

We have continued our work to improve the environmental sustainability of our operations. The focus this year has been on increasing the efficiency and effectiveness of our operations to reduce both environmental impacts and costs.

Energy management

Improvements in our energy management have been achieved through further refinement of our heating, cooling and ventilation systems. For example, as a largely concrete-built, grade one listed building, the ambient temperature inside our Threadneedle Street premises changes relatively slowly. We therefore use five-day weather forecasts to improve the efficiency of our temperature control systems.

Waste and resources management

We have replaced single-use containers with reusable alternatives across our sites. We estimate that this change has avoided the disposal of 39,209 single-use containers in 2024/25.

Greenhouse gas emissions

This year our carbon footprint is estimated at 61,215 tCO_2e, which is 22% (17,704 tCO_2e) lower than the previous year (2023/24). The reduction is driven mainly by falls in estimated emissions from purchased goods and services (a reduction of 12,192 tCO_2e) and capital goods (a reduction of 4,527 tCO_2e), which result from improvements in the accuracy and timeliness of the source data rather than changes in the type or quantity of goods and services we purchased in 2024/25.

Further information on our greenhouse gas emissions and other key climate-related developments in 2024/25 are set out in our climate-related financial disclosure 2025.[23]

23. http://www.bankofengland.co.uk/climate-change/the-bank-of-englands-climate-related-financial-disclosure-2025.

Banknotes

In 2024/25, our total carbon emissions from polymer substrate production were 99% lower than in 2023/24, reflecting weaker demand than in previous years for new banknotes and lower unfit returns following the change of substrate. This year just under 96 million unfit banknotes were returned to us and required disposal – just over 30% of these were old series paper banknotes.

This is a further reduction on past volumes and continues to reflect the declining volume of paper notes still in circulation following the launch of our polymer series.

We work with partner organisations to reduce the environmental impact of the destruction of notes. For paper notes, this consists of an ‘energy from waste’ solution. For polymer banknotes, the majority of our waste is destined for recycling to be used by third parties to make lower-grade plastic items.

Top: Bank of England 2024 Court Award winners.
Centre: First cohort of the Mel Beaman Student Programme after completing their work experience in the Leeds office.
Bottom: Bank of England colleagues marking World Bee Day in the Garden Court.

Report of the Remuneration Committee

Remuneration principles

The Bank's reward package aims to attract and retain a diverse range of talented people to public service, with the skills required for our current and future success. We are a unique employer with a public purpose offering an opportunity to make a difference. We provide an inclusive working environment which supports each individual through flexible working, a variety of career opportunities and initiatives to support their wellbeing.

Our principles are to pay our colleagues a reward package which takes into account their experience and knowledge, alongside any specialisms required to undertake the role they do, while also looking to recognise the contribution they make at an individual level. We help to ensure we remain competitive by regularly reviewing pay in the external market from both the public and private sector. Our remuneration package includes the following:

- base salary;
- core and flexible benefits;
- discretionary performance award which is linked to achievement of individual objectives and behaviours; and
- Career Average Revalued Earnings (CARE) pension.

We continue to report on our gender and ethnicity pay gaps which are linked to the Bank's inclusion agenda and can be found under the 'Our people' section of this Report on pages 54–66.

Role of the Remuneration Committee

The Remuneration Committee (RemCo) determines the remuneration of the Governor, Deputy Governors, Chief Operating Officer (COO) and Executive Directors and advises Court on the remuneration of other senior executives and of the external members of the MPC, the FPC, the PRC and the FMIC. RemCo also advises on major changes to remuneration structures within the Bank, including pension schemes. RemCo's aim is to ensure the remuneration policy and remuneration decisions support the Bank in recruiting and retaining the people it needs, taking account of the market in which we operate and our duty to work in the public interest.

2024/25 remuneration

As highlighted in the Report of the Remuneration Committee in the Bank's 2023/24 Annual Report, a discretionary pay award budget of 4.0% was effective on 1 March 2024. In addition, a 1.0% uplift to the Bank's benefits allowance for all eligible colleagues was also allocated for the 2024/25 benefits year, consistent with 2023/24.

Similar to previous years, one of our priorities for 2024/25 was to focus higher pay awards to colleagues across the Bank who were lower paid relative to their role, in addition to awarding a one off payment of £1,000 to critical on-site workers in January 2025.

2024 performance awards

For 2024 a discretionary performance award budget of 10% was made available to recognise individual performance (2023: 10%). This award was based on two elements: 'Our Bank Behaviours' to Act Inclusively, Drive Growth and Deliver Outcomes; as well as individual objectives, with an equal weighting applied. The table below shows the distribution of performance award percentage values across eligible colleagues employed on 28 February 2025:

Performance award percentage of salary	2024/25: percentage of eligible employees	2023/24: percentage of eligible employees
0%	0.8%	0.9%
Greater than 0% up to 5%	3.5%	4.2%
Greater than 5% up to 10%	59.5%	62.0%
Greater than 10% up to 15%	33.4%	31.3%
Greater than 15%	2.8%	1.6%

Our current remuneration focus

The Bank has recently concluded its pay review for 2025/26, with pay awards effective from 1 March 2025. A discretionary pay award budget of 3.0% was allocated. There was an additional budget of 0.8% which helped provide flexibility to adjust individual salaries where appropriate.

There have been no significant changes during the 2024/25 financial year to the Bank's remuneration package. Our focus during the year has been reaching a conclusion on the review of our future pension offering. Further details on this review have been shared below.

Looking ahead to 2025/26, while there are no planned major changes for the year ahead, our focus will be on commencing a review of our pay framework following the pension review.

Pension Review

As part of its overall reward offering, the Bank provides colleagues with a Career Average Revalued Earnings (CARE) pension.

The Bank made a commitment to review the pension arrangements, to ensure our pension is fit for the organisation in the coming years and works for our current and future workforce. Proposals were shared with staff as part of an extensive programme of consultation and a series of negotiations with Unite the Union. In January 2025 Court made the decision to implement the proposals, which were supported by the Union.

The Bank will continue to offer a CARE pension scheme and will harmonise the standard pension accrual rate at 1/80 for all existing and future colleagues, for all pension accrued from 1 April 2025 onwards. Those staff who previously accrued pension at higher accrual rates will have a three-year transitional period where they can choose between additional pension or additional cash supplement in order to smooth the transition.

The Bank's CARE pension scheme continues to allow individuals to vary their rate of pension accrual annually (within set parameters), either by surrendering pension accrual for a cash supplement, or by sacrificing salary to secure more pension. Each year RemCo reviews and approves the rates at which salary is sacrificed to secure more pension, taking into account the scheme funding valuation, market movements and the Bank's broader remuneration strategy.

The scheme also allows individuals who reach relevant tax limits to opt out of the pension altogether and receive a salary supplement in lieu of pension.

The Bank's overall pension contribution each year is driven by both the current CARE pension scheme, and the closed Final Salary scheme (closed 2007). Long serving employees from the Bank will have built a pension entitlement which is partly linked to their final salary, so even though the Final Salary scheme is closed to new accrual, any increase in salary for these members will continue to increase their pension entitlement.

The Governors

The Governor is appointed by the Crown for a non-renewable term of eight years, and Deputy Governors, are each appointed by the Crown for five-year terms, which may be renewed once. For clarity, the Bank's COO, is an employee of the Bank rather than an office holder but is included alongside the Deputy Governors, as all are paid the same salary and their remuneration structure is the same.

Governors' remuneration policy

The Governor, Deputy Governors and COO receive a salary and specified benefits, but they do not receive any additional benefits allowance or any performance award or other performance related pay. They are eligible to participate in the Career Average section of the Bank Pension Fund on the same basis as all staff. When relevant tax limits are reached, similar to all staff, they may choose to reduce their accrual rates or to opt out of the pension altogether, receiving a salary supplement in lieu of pension.

In March 2024, pay for the Governor, Deputy Governors and the COO was increased by 3.0%. Mr Bailey declined to accept an increase.

Mr Bailey has declined to accept pay increases since his appointment by the Crown as Governor in March 2020. Had he not declined pay increases each year, his base salary for the year 2024/25 would have been £533,100.

	Andrew Bailey		Sarah Breeden[a]		Ben Broadbent[b]		Sir Jon Cunliffe[c]	
£	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Base salary	495,000	495,000	284,555	229,403	254,067	296,000	49,333	296,000
Taxable benefits[g]	2,292	2,397	1,719	11,468	29,572	3,756	8,892	1,938
Pension benefits	–	–	50,452	–	–	–	–	–
Payment in lieu of pension	99,000	99,000	35,421	71,900	75,998	88,618	14,800	88,618
Other	1,782	1,782	1,098	1,016	915	1,066	178	1,066
Total remuneration	**598,074**	**598,179**	**373,245**	**313,787**	**360,552**	**389,440**	**73,203**	**387,622**

£	Clare Lombardelli[(d)] 2024/25	Clare Lombardelli[(d)] 2023/24	Sir Dave Ramsden 2024/25	Sir Dave Ramsden 2023/24	Ben Stimson[(e)] 2024/25	Ben Stimson[(e)] 2023/24	Sam Woods[(f)] 2024/25	Sam Woods[(f)] 2023/24
Base salary	203,253	–	304,880	296,000	304,880	296,000	304,880	296,000
Taxable benefits[(g)]	789	–	5,692	3,458	2,789	4,674	1,719	1,479
Pension benefits	–	–	–	–	–	–	83,028	101,580
Payment in lieu of pension	40,651	–	60,828	59,078	60,828	59,078	–	8,242
Other	732	–	1,098	1,066	1,098	1,066	1,098	1,066
Total remuneration	**245,425**	**–**	**372,498**	**359,602**	**369,595**	**360,818**	**390,725**	**408,367**

(a) Ms Breeden opted into pension accrual from 1 October 2024 and chose to sacrifice part of her base salary to secure more pension. The 2024/25 table therefore reflects; a reduction of £20,325 to her base salary to increase her pension accrual, the accrued pension from 1 October 2024 to 28 February 2025 (the pension benefit is the increase in the accrued pension during the year multiplied by 20 – corporate valuation), and the pay in lieu of pension she received while opted out from 1 March 2024 to 30 September 2024.

(b) Mr Broadbent's term as Deputy Governor ended on 30 June 2024 – RemCo used its discretion to impose a period of six months restricted duties after this end date, during which time he continued to receive pay and benefits.

(c) Sir Jon Cunliffe's term as Deputy Governor ended on 31 October 2023 – RemCo used its discretion to impose a period of six months restricted duties during which time he continued to receive pay and benefits. The Total Remuneration for 2024/25 reflects the period from 1 March 2024 to 30 April 2024, when his restricted duties ended.

(d) Ms Lombardelli was appointed as a Deputy Governor on 1 July 2024. While all Deputy Governors receive the same base salary, the total remuneration reported for 2024/25 reflects the period of her appointment on 1 July 2024, through to 28 February 2025.

(e) Sarah John was appointed as Mr Stimson's successor from 1 April 2025.

(f) Mr Woods accrued pension during the whole 2024/25 period, the pension benefit reflects the increase in his accrued pension during the year multiplied by 20 (corporate valuation).The 2023/24 pension benefit value has been restated due to CPI revaluation of the opening balance.

(g) Taxable benefits in 2024/25 include private medical cover for the individual and dependents (where relevant). In addition, it reflects a payment of £28,143 for Ben Broadbent for 24 days untaken leave, a payment of £8,538 for Sir Jon Cunliffe for 7.5 days untaken leave and £3,518 for 3 days' leave buy-back for Sir Dave Ramsden.

As office holders, the Governor and Deputy Governors have no provisions for notice of termination, although RemCo has discretion to impose a period of restricted duties, for which they will be paid for up to six months, before individuals can accept roles outside the Bank.

Under the Bank of England Act 1998, Governors and Deputy Governors are required to provide remunerated services only to the Bank. With Court's approval, other directorships relevant to the Bank's work may be accepted, but any fees must be waived or surrendered to the Bank. Directorships held during the past year have been; the (statutory) appointment to the Financial Conduct Authority Board held by Mr Woods as Deputy Governor for Prudential Regulation; Mr Bailey sat on the Board of the Bank for International Settlements; Mr Stimson is a Non-Executive Director of Premier Marinas.

Remuneration of Non-executive Directors

The Bank of England Act 1998 provides for the remuneration of the Non-executive Directors to be determined by the Bank with the approval of the Chancellor. With effect from 1 March 2024, these rates were set at £20,000 per annum (pa) for Directors, £25,000 pa for the Senior Independent Director, the Deputy Chair and Committee Chairs, rising to £30,000 pa for the Senior Independent Director and Deputy Chair when also a Committee Chair.

The Chair of Court is paid £48,000 pa. Non-executive Directors do not receive any post retirement or medical benefits from the Bank, nor any additional fees for serving on committees. The Bank meets appropriate travel and subsistence expenses.

External members of the MPC, the FPC, the PRC and the FMIC

The external members of the MPC, FPC, PRC and FMIC are appointed on a part time basis, and their remuneration reflects the different time commitments involved for each committee. In 2024/25, the external members of the FPC were each paid at a rate of £105,800 pa, independent PRC members were paid at a rate of £119,300 pa, the external MPC members were paid £170,200 pa and the external members of the FMIC were paid £33,200 pa. For 2024/25, all fees were increased by 4.0%, rounded to the nearest hundred. MPC members, who work on average three days a week in the Bank, are also entitled to join the Bank's private medical insurance scheme.

In line with the applicable conflicts of interest codes, members of the policy committees must seek advance approval from the Bank in relation to any appointments or interests that could create an actual or perceived conflict of interest with their responsibilities at the Bank. On leaving the Bank, members are paid their fee for a further period of three months, during which time they must continue to seek advance approval from the Bank for outside appointments or employment where this could be seen to pose a conflict of interest with their work at the Bank.

Executive Directors' salaries and benefits

The remuneration framework for Executive Directors is consistent with that offered to all colleagues across the Bank, including a salary commensurate to their role, flexible benefits, a discretionary performance award and a Career Average defined benefit pension.

In recommending salaries for Executive Directors, RemCo takes into account the differences in their performance as well as their pension accrual and external benchmarks for their roles so as to achieve fair and justifiable total remuneration. In recommending individual performance awards RemCo takes account of both performance against objectives and behaviours. A portion of the performance award budget for Executive Directors is linked to their actions taken to progress against executive diversity and inclusion metrics.

In March 2024, as part of the 2024/25 Annual Salary Review the Executive Directors received an average pay increase of 4.0%.

Executive Directors: members of policy committees

The table below sets out the remuneration, excluding pension, paid to any Executive Director who served as a member of a policy committee during the year ended 28 February 2025.

	Base salary and performance award		Other benefits		Total remuneration (excluding pension)		Pension accrual**
£	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	
David Bailey	223,820	215,455	18,231	17,211	242,051	232,666	1/65th
Nathanaël Benjamin	218,650	209,533	18,152	17,176	236,802	226,709	1/95th
Sasha Mills*	223,824	220,193	18,609	17,610	242,433	237,803	1/95th
Huw Pill	214,680	205,858	18,072	17,022	232,752	222,880	1/95th
Victoria Saporta*	226,076	217,904	18,488	17,495	244,564	235,399	1/50th

* Denotes those who have opted out of pension accrual and receives cash in lieu.

** From 1 April 2025, in line with the pension review, the pension accrual will change to 1/80th in line with all colleagues.

David Rule was also a standing member of FMIC. He is a Special Advisor paid for days worked, which for 2024/25 amounted to £170,625, together with other benefits of £614 and a non-recurring additional payment of £2,500 to reflect temporary additional responsibilities. He is eligible for a 1/95th Bank pension and life assurance, but not eligible for a performance award or any other benefits. He is not included in the Annual Salary Review.

All other Executive Directors: non-policy committee members

The table below shows the total remuneration ranges for all other Executive Directors as at 28 February 2025, who are not members of a policy committee. These figures reflect full-time equivalent (FTE) salary and benefits excluding pension, plus any performance awards paid during the accounting period.

Remuneration range	Number of Executive Directors 2024/25	Number of Executive Directors 2023/24
£180,000–£199,999	3	5
£200,000–£219,999	5	3
£220,000–£239,999	5	6
£240,000–£259,999	3	–
£260,000–£279,999	1	1
£280,000–£299,999	–	1
£300,000 +	1	–
Total	**18**	**16**

Other salaries and benefits

Below Executive Director level, 32% of colleagues earn in excess of £80,000 pa on a FTE basis. This includes pay and benefits but excludes employer pension contributions and performance awards.

This threshold for reporting has not changed since it was originally introduced in 2011. Going forward we will be updating this threshold in line with the minimum of the Senior Civil Service pay band 2 (£98,000 in 2024/25).

At end-February 2025, below Executive Director level, 16% of colleagues' pay and benefits are in excess of £98,000.

Fair pay

To show the relationship between levels of remuneration for the Governor and all colleagues, we are reporting our Bank wide pay ratio again this year. Total remuneration for the purpose of this calculation includes salary, benefits (whether monetary or in kind) on an FTE basis and performance awards for the year ending 28 February 2025. It does not include severance payments or pension contributions.

	Total remuneration		Salary component	
Remuneration ratios	**2024/25**	**2023/24**	**2024/25**	**2023/24**
Highest paid Director (Governor)	£499,074	£499,179	£495,000	£495,000
25th percentile remuneration of total workforce and remuneration ratio	£49,544 10.1: 1	£47,198 10.6: 1	£41,499 11.9: 1	£40,000 12.4: 1
50th percentile remuneration of total workforce and remuneration ratio	£69,972 7.1: 1	£66,411 7.5: 1	£59,191 8.4: 1	£56,338 8.8: 1
75th percentile remuneration of total workforce and remuneration ratio	£96,655 5.2: 1	£91,530 5.5: 1	£81,434 6.1: 1	£78,000 6.3: 1

Report on Oversight Functions

Court – the Oversight of the Bank

The Bank's Court of Directors acts as a unitary board and is responsible for managing the affairs of the Bank, as distinct from the decisions taken by the four statutory policy committees. During 2024/25, Court's discussions and decisions covered a wide range of issues: the Bank's strategy; its finances, balance sheet and income; its risk profile, talent management and remuneration; IT security; data management; banknotes; and its culture and diversity. A focus for Court in 2024/25 has been how the Bank can prepare for greater uncertainty in the external environment, and best prepare for the future, with a focus from Court on the investment portfolio. Court held two away days, focusing on strategy and transformation and developments in payments (see below). The minutes of each Court meeting are published on the Bank's website, typically two weeks after the following meeting.

Court also has oversight responsibilities for monitoring the Bank's performance against its statutory and other objectives, the Bank's financial management and controls, and the procedures of the policy committees, whose meetings Non-Executive Members of Court are entitled to attend as observers. Court is required to make an annual report on these 'Oversight Functions'.

In delivering these functions, Court is supported by an Independent Evaluation Office (IEO). The IEO's work programme is determined by Court, and typically consists of a number of major published reviews in each year.

The separate reports of RemCo (pages 78–86) and ARCo (pages 93–95), insofar as they relate to the Court's Oversight responsibilities, should be seen as part of this Report.

Particular areas of focus for Court in 2024/25 are noted below:

Financial risk management and controls

During the year, Court oversaw the Bank's risks, controls and operational performance. Court ensured that the Bank maintained its controls successfully over the reporting period. ARCo monitored the Bank's risk profile throughout this time.

EY replaced KPMG as the Bank's External Auditor and took on the role for the financial year ended 28 February 2025.

Court is responsible for managing the risk profile of the Bank's balance sheet in relation to financial and non-financial risk and reviewed the Bank's capital parameters as part of a five-yearly review with HM Treasury. Subsequently the Bank and HM Treasury published an updated Memorandum of Understanding on the Financial relationship between HM Treasury and the Bank of England.

Budgets

Court reviewed and approved the Bank's annual budget for the year ahead and monitored performance and delivery against financial targets. Looking ahead, Court reviewed and agreed the Bank's investment portfolio for 2025/26, Court's engagement focused on the prioritisation of investment opportunities in support of the Bank's multiyear transformation programme. Financial and capacity constraints have necessitated difficult trade-offs, resulting in slower change delivery, and longer periods of more elevated risk exposure. Court was informed and supported by the views of ARCo when considering the Bank's financial matters.

Forecasting review

In 2023 Court commissioned an externally led review by Dr Ben Bernanke into the Bank's forecasting and related processes during times of significant uncertainty. Dr Bernanke's Review was published in April 2024 and provides a thorough assessment of the Bank's current forecasting approach, and the relationship between the forecast, monetary policy decisions, and their communication.

The Bank welcomed and is committed to action on all 12 of the Review's recommendations. The recommendations are wide ranging and interconnected and the resulting transformation programme will be the largest reform since the Bank was granted operational independence for monetary policy in 1997. Court, having commissioned the Review, has continued to monitor the progress of the implementation of the recommendations and will provide oversight of the ongoing transformation programme.

Real-Time Gross Settlement Renewal

The renewal of the Real-Time Gross Settlement (RTGS) system is by some measure the Bank's biggest project. Given the strategic importance of the programme, Court received updates on this at every meeting.

Final detailed planning and preparation for the delivery of Transition State 3.0, the new RTGS core ledger and settlement engine, took place during the year and RTGS went live with Transition State 3.0 on the 28 April 2025, after the end of this reporting year.

Technology change

Alongside the RTGS programme and the technology aspects of Dr Bernanke's recommendations, the Bank is also currently undertaking a number of other necessary programmes to modernise its technology estate, including the Finance Modernisation Programme, which will replace the Bank's accounting platform. Court, supported by ARCo, will continue to oversee the technology programmes given the delivery and execution risk.

Capability, succession planning and appointments

Nominations Committee (NomCo) has continued to oversee the Bank's planning on culture, capability, succession planning and diversity and inclusion. NomCo reviewed plans for a revised Skills and Talent Programme as well as the Bank's succession plans for senior roles.

Since the last Report, Court made new appointments to the positions of Chief Operating Officer, Executive Directors and the Internal Auditor. Individual Non-Executive Members have participated in the panels for key appointments, for example, the Chair of Court and a Non-Executive Director were members of the Appointments Panel for the appointment of a new Chief Operating Officer.

Colleague engagement

Court monitors staff sentiment and received updates on the results of the staff Viewpoint survey and the Bank's response to that. Court has regular engagement with the Bank's 13 Employee Networks to understand staff's experience in the Bank, and Court welcomed an annual progress report from each of the Employee Networks during the reporting period.

A major focus for Court has been improving diversity and inclusion in the Bank's workforce, especially at senior levels. During the reporting period, Court received updates on progress made with regards to the Court-led Review into ethnic diversity and inclusion as well as a new Gender Action Plan and a deep dive on the Bank's Disability programme.

Additionally, Unite, the Union at the Bank, presented its annual report to Court.

Future payments landscape

Court has been updated on developments in payments and held an away day in the autumn of 2024, where it discussed the future payments landscape and planned a further session on Artificial Intelligence. Court also received updates on work being undertaken in relation to the exploratory work on the possibility of a digital pound, and discussed the possible implications for the Bank.

The policy committees

The policy committees – the MPC, FPC, PRC and FMIC – operate under their own statutory remits. Court has a responsibility to keep the processes of the committees under review, and in the case of the MPC, to ensure that it takes account of regional and sectoral information.

Court members, from time to time, can observe the meetings of all four committees and ensure that their conflicts codes are monitored and observed. Surveys of members of policy committees are undertaken and discussed in Court. The Chair of Court supplements the surveys with individual discussions with all committee members.

In August 2023, the Prudential Regulation Authority (PRA) gained a new statutory requirement – the secondary competitiveness and growth objective (SCGO). Court commissioned the IEO to review whether the PRA was ready to enact the SCGO. The IEO's report found numerous positive aspects to the PRA's approach to its new objective and made nine detailed recommendations. Court welcomed the PRA's commitment in taking forward the report's recommendations. Court will monitor their implementation as part of the IEO's follow-up framework.

Pensions Review

Following a proposal to harmonise the Bank's pension arrangements, Court met to deliberate on the proposals and review feedback from the staff consultation process. A decision was made at Court on 7 January 2025 to proceed and implement the changes with effect from 1 April 2025.

Central services optimisation

Court was updated on the closure of the central services optimisation programme, which had ran since 2022 to modernise the Bank's central operations. Court will continue to monitor central services through Court's usual oversight of the Bank, and alongside ARCo, will retain a focus on addressing technology obsolescence risk.

Court judged that the Bank's cyberresilience function is performing well and has built a strong defensive capability although the risk from the external environment remains high.

Governance and ethics

Court routinely receives reports on the monitoring of conflicts of interest across Court and all of the Bank's policy committees from the Secretary who maintains the conflicts of interest policies, monitors them, and reports on them to Court.

In the interests of transparency, Court has, since 2024, published a register of interests for its most senior officials. This register includes members of the Bank's Court of Directors and statutory policy committees: the MPC, FPC and the PRC.

Court oversaw work to review and revise the Bank's voluntary compliance with the UK Corporate Governance Code and the Senior Managers Regime. For the latter, in line with these requirements for our regulated firms, the Bank publishes its own Responsibilities Map, alongside Statements of Responsibilities for our designated Senior Managers.

Following the National Audit Office report into the Bank's management of legal, ethical and staff compliance risks, Court considered and agreed to implement the recommendations.

Members of Court attendance

Year to 28 February 2025 attendance	Court (7)	Audit and risk (6)[a]	RemCo (9)	NomCo (3)
David Roberts	7	–	8	3
Jonathan Bewes	6	6	–	2
Sabine Chalmers	7	6	–	3
Lord Jitesh Gadhia	7	6	–	2
Anne Glover	7	–	9	3
Sir Ron Kalifa	7	3	–	3
Diana Noble	7	–	9	3
Frances O'Grady[b]	3 of 6	–	5 of 7	0 of 2
Tom Shropshire	5	–	5	2
Andrew Bailey[c]	7	–	–	–
Sarah Breeden	6	–	–	–
Ben Broadbent[d]	2 of 2	–	–	–
Clare Lombardelli[e]	4 of 5	–	–	–
Sir Dave Ramsden	6	–	–	–
Sam Woods	6	–	–	–

(a) The Chair of Court attends ARCo by invitation although is not a formal member. ARCo also invites a number of regular attendees to its meetings, notably the Deputy Governors for Prudential Regulation and Markets and Banking, COO, CFO, CRO and the Internal Auditor. An external member of PRC (Tanya Castell) attends ARCo so that the PRA's performance and risk profile can be reviewed alongside other parts of the Bank. The Bank's external auditors and representatives of the National Audit Office attend those parts of the meeting that relate to audit matters.
(b) Stepped down from Court on 17 January 2025.
(c) Attends NomCo.
(d) Stepped down from Court on 30 June 2024.
(e) Joined Court on 1 July 2024.

Report of the Audit and Risk Committee

Audit and Risk Committee

The Audit and Risk Committee (ARCo) assists Court in meeting its responsibilities for maintaining effective financial reporting, risk management, and internal controls. ARCo receives reports on the Bank's risk profile, the operation of the risk framework and the risk management processes and systems in place. ARCo also has responsibility for reviewing the findings of internal and external auditors and monitoring outstanding actions for timely completion. As a sub-committee of Court, its remit is approved by Court and set out in its Terms of Reference.[24] ARCo meetings are separated into two parts, covering audit matters and risk matters.

A key focus for ARCo during 2024/25 continued to be monitoring the progress of projects within the Bank's extensive programme to modernise its technology estate, including the modernisation of its finance systems and the project to renew the Bank's Real-Time Gross Settlement (RTGS) system. The scale, complexity and cost of these multi-year programmes are significant, carrying execution and delivery risk, and will continue to be monitored closely by ARCo including the prioritisation of individual projects within budgetary constraints.

ARCo also focused on the transition arrangements with the newly appointed external auditors (EY took over from KPMG as the Bank's new external auditor from financial year 2024/25) and welcomed the Bank's new Head of Internal Audit.

Audit

During 2024/25, in the audit matters part of its meetings, ARCo received, discussed, challenged and, where required, approved:

- Regular reports from the Finance Directorate, including updates on the annual budget process and investment portfolio budget; quarterly forecasts; the Bank's undertakings regarding its tax obligations; and updates on modernising and integrating internal finance systems.

24. ARCo Terms of Reference in Annex A of Matters Reserved to Court, available at **www.bankofengland.co.uk/about/people/court-of-directors/governance-of-the-bank-of-england-including-matters-reserved-to-court**.

- The approach taken to the preparation of the Bank's Annual Financial Statements, including approval of the accounting policies; a review of the Bank's draft financial statements (incorporating the PRA's financial reporting requirements); the Bank of England Asset Purchase Facility Fund Limited (BEAPFF) and Bank of England Alternative Liquidity Facility Limited (BEALF) draft annual report and accounts.

- Regular updates on the transition of the external auditor from KPMG to EY.

- Regular reports from the Bank's external auditor and the National Audit Office. These included the external auditors' strategy and audit scope, updates and reviews of the external auditors' findings, and the external auditors' reflections on their audits.

- The external auditors' Management Letters for the Bank, BEAPFF, Management's response to the findings of the external auditors, and Letters of Representation to the external auditors ahead of their approval by Court.

- Regular reports on non-audit work provided by the external auditor commissioned by the Bank in accordance with the Bank's Non-Audit Services Policy.

- Recruitment of the new Head of Internal Audit, Internal Audit's Charter, Annual Audit Plan and resources; and Internal Audit's Annual Report.

- Regular reports from Internal Audit on implementation of the Internal Audit Plan during the year, including any changes. As part of this, ARCo reviewed material Audit findings and monitored management progress in addressing agreed actions.

- An annual report on Court members' expenses.

Risk

During 2024–25, in the risk matters part of its meetings, ARCo received, discussed, challenged and, where required, approved:

- Regular reports from the Chief Risk Officer and quarterly risk reports and updates from the Enterprise Risk & Resilience Division (ERRD) and Financial Risk & Resilience Division (FRRD) covering the main operational and financial risks to the Bank (including the PRA). These included updates on the five-year review of the Bank's capital parameters and model risk.

- Reports on the investment portfolio, including a roadmap for strengthening the Bank's change & planning capability.

- Reviewed and challenged the comprehensive, multi-year technology modernisation plan along with regular reports on specific projects including finance systems modernisation and RTGS Renewal.

- Regular updates on technology risks from the Executive Director for Technology including the Bank's Cloud strategy, and updates on cyber risks and security from the Chief Information Security Officer (CISO).

- Detailed reports on particular topics, including property infrastructure; procurement; information governance; and Artificial Intelligence.

- Gap analysis against Section 4 (audit, risk and internal controls) of the new version of the UK Corporate Governance Code, committing to meeting the high standards of corporate governance and to follow the UK Corporate Governance Code to the extent appropriate and applicable, taking into account the statutory framework set by the Bank of England Act 1998 and the fact that the Bank is not a UK-listed company.

- Reports and updates on a range of operational matters, including the process and assurance in relation to the Bank's climate disclosures report; health and safety; the Bank's insurance arrangements; and oversight of the Bank's security arrangements.

- Annual reports from the Money Laundering Reporting Officer; the Chief Compliance Office; the Data Privacy Officer; and the Secretary on the Bank's internal whistleblowing and investigations and monitoring arrangements.

Statement of the responsibilities of the Court of Directors in relation to the financial statements

The Court of Directors is responsible for ensuring that the financial statements of the Banking Department are properly prepared on the basis set out therein, as at 28 February 2025 and for the year to that date.

The statements of account of the Issue Department are prepared in accordance with provisions agreed between the Bank and HM Treasury to implement the requirements of the Currency and Bank Notes Acts 1928 and 1954, the National Loans Act 1968 and the Currency Act 1983. The Court of Directors is responsible for ensuring that the statements of account are prepared in accordance with these requirements as at 28 February 2025 and for the year to that date.

The Prudential Regulation Authority financial statement of accounts has been prepared in accordance with the Bank of England Act 1998 (as amended) and the accounts direction given by HM Treasury. The Court of Directors is responsible for ensuring that the statement of accounts of the Prudential Regulation Authority is properly prepared on the basis set out therein, as at 28 February 2025 and for the year to that date. The Court of Directors is also responsible for ensuring that the money levied by the Prudential Regulation Authority under Parliamentary Authority recorded in the statement of accounts of the Prudential Regulation Authority is only applied to the purposes intended by Parliament.

The Court of Directors is responsible for ensuring proper accounting records are kept, which disclose at any time the financial position of the Bank and enable Court to ensure that the financial statements comply with the requirements set out in note 2 of the accounts. The Court of Directors is also responsible for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for safeguarding the assets of the Bank and its subsidiaries, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Court of Directors confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, which have been prepared on the going concern basis. The accounting framework adopted is set out on pages 112–16.

The Directors who held office at the date of approval of this Annual Report confirm that, so far as they are aware, there is no relevant audit information of which the Bank's auditors are unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Bank's auditors are aware of that information.

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

Financial statements: Report of the Independent Auditor

Independent Auditor's Report to the Governor and Company of the Bank of England (the Bank) and its Shareholder

Opinion

We have audited the financial statements of the Bank (the financial statements) which comprise:

- the financial statements of the Banking Department for the year ended 28 February 2025, which comprise the Banking Department statement of income, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes 1–34 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is a special purpose basis of preparation comprising the financial reporting provisions as set out in note 2 on pages 112–15;

- the statements of account of the Issue Department for the year ended 28 February 2025, which comprise the Issue Department account, statement of balances, and related notes 1–8 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is a special purpose basis of preparation comprising the financial reporting provisions as set out in note 1 on page 198; and

- the statement of accounts of the Prudential Regulation Authority (PRA) for the year ended 28 February 2025, which comprise the PRA income statement, statement of balances, and related notes 1–13 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is a special purpose basis of preparation comprising the financial reporting provisions as set out in note 1 on pages 203–05.

In our opinion, for the year ended 28 February 2025, the accompanying:

- financial statements of the Banking Department are prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 2 on pages 112–15;

- statements of account of the Issue Department are prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 1 on page 198; and

- statement of accounts of the PRA are prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 2 on pages 203–05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Court of Directors' use of the going concern basis of accounting in the preparation of the Financial Statements, is appropriate. Our evaluation of the Court of Directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of the Court of Directors' going concern assessment process and the Bank's financial framework.

- evaluating the Court of Directors' going concern assessment which included their assessment of the completeness of factors considered and the impact of a set of severe but plausible scenarios on the loss absorbing capital of the Bank.

- evaluating the Bank's going concern disclosures included in the Annual Report and Accounts in order to assess that the disclosures were appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Court of Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern.

Emphasis of matter – special purpose basis of preparation and Restriction on Use

We draw attention to note 2 to the financial statements of the Banking Department, note 1 of the statements of account of the Issue Department, and note 1 of the statement of accounts of the PRA, which describes the respective bases of preparation. As explained in those notes, these financial statements are prepared to assist the Bank in complying with the financial reporting provisions of the legislation applicable to the Bank, including the Bank of England Act 1998 which provides, among other things, that the Bank can disregard a disclosure requirement if it considers it necessary to do so having regard to its financial stability objective. As a result, the financial statements of the Banking Department, the statements of account of the Issue Department and statement of accounts of the PRA may not be suitable for another purpose.

This report is made solely to the Governor and Company of the Bank of England and its Shareholder, as a body, in accordance with Section 7 of the Bank of England Act 1998 and our engagement letter dated 11 March 2024. Our audit work has been undertaken so that we might state to the Governor and Company of the Bank of England and its Shareholder those matters we are required to state to them in an auditor's report and the further matters we have agreed to state to them in accordance with our engagement letter, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governor and Company of the Bank of England and its Shareholder, as a body, for our audit work, for this report, or for the opinions we have formed. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Court of Directors are responsible for the other information contained within the Annual Report and Accounts.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Report on other legal and regulatory matters

Opinion on regularity

In our opinion, in all material respects, the money levied by the PRA under Parliamentary Authority recorded in the statement of accounts of the PRA has been applied for the purposes intended by Parliament.

Basis for opinion on regularity

We are required by Section 7(5A) of the Bank of England Act 1998 to report whether we are satisfied that the Bank has complied with the requirements of Part 3 of Schedule 1ZB to the Financial Services and Markets Act 2000 (Prudential Regulation Authority fees and penalties) (FSMA) in relation to the preparation of a statement of accounts by the Bank by virtue of its functions as the PRA. In giving this opinion, we have had regard to the requirements in Part 2 of Practice Note 10 ‘Audit of financial statements of public sector bodies in the United Kingdom’ issued by the Financial Reporting Council.

Our opinion on regularity relates solely to the Bank’s compliance with the requirements of Part 3 of Schedule 1ZB to FSMA. We are not required to and do not provide a regularity opinion on any other operations of the PRA or the Bank.

The Court of Directors’ responsibilities in relation to regularity are set out in the statement of the responsibilities of the Court of Directors on pages 96–97.

Court of Directors’ responsibilities

As explained more fully in the Court of Directors’ responsibilities statement set out on pages 96–97 the Court of Directors are responsible for the preparation of the financial statements in accordance with their respective special purpose bases of preparation, and for such internal control as the Court of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Court of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Court of Directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both the Court of Directors and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are the Bank of England Act 1998, Companies Act 2006, Currency and Bank Notes Act 1928 and 1954, National Loans Act 1968, Currency Act 1983 and taxation legislation (direct and indirect). In addition, the Bank is also subject to other laws and regulations in other areas being sanctions and anti-money laundering, employment and data protection.

- We inquired of the Court of Directors, the Audit and Risk Committee and Internal Audit as to the Bank's high-level policies and procedures in place to prevent and detect fraud, including the internal audit function, and the Bank's 'whistleblowing' function, as well as whether they have knowledge of any actual, suspected or alleged fraud.

- We understood how the Bank is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also gained an understanding of the Bank's policies to prevent non-compliance with those frameworks.

- We assessed the susceptibility of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA to material misstatement, including how fraud might occur through discussions with management and those responsible for legal and compliance matters.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those responsible for legal and compliance matters. We reviewed minutes of the Court of Directors and relevant committee meetings and sent third-party confirmations. We also undertook focused audit procedures such as journal entry testing, to address the risk of fraud.

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

Javier Faiz
for and on behalf of Ernst & Young LLP
London
12 June 2025

Banking Department statement of income for the year to 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Net interest (expense)/income[1]		(537)	67
Fee income	5a	61	36
Other income from financial instruments	5a	213	188
Management fees	5a	76	89
Income from BoE Levy[1]	5a	733	–
Income from regulatory activity	5a	361	328
Other income	5a	76	101
Net operating income		**983**	**809**
Staff costs	5b	(547)	(474)
Infrastructure costs	5b	(179)	(170)
Administration and general costs	5b	(129)	(133)
Operating expenses		**(855)**	**(777)**
Profit before tax		**128**	**32**
Taxation	6	(30)	1
Profit after tax		**98**	**33**

The notes on pages 111–95 are an integral part of these financial statements.

(1) On 1 March 2024, the Bank of England (BoE) Levy replaced the Cash Ratio Deposit Scheme. Consequently, interest expense was generated due to converting the returned CRD deposits into remunerated reserves. For further information refer to Note 5a.

Banking Department statement of comprehensive income for the year to 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Profit for the year attributable to shareholder		**98**	**33**
Other comprehensive income/(loss) not reclassified to profit or loss:			
Property revaluation reserve			
Net losses from changes in fair value		(20)	(14)
Current and deferred tax	6	3	2
Financial assets at fair value through other comprehensive income reserve			
Net gains from changes in fair value	17	170	32
Current and deferred tax	6	(42)	(8)
Other			
Retirement benefit remeasurements	26	(26)	(82)
Current and deferred tax	6	6	21
Total other comprehensive income/(loss) not reclassified to profit or loss		**91**	**(49)**
Total comprehensive income/(loss) for the year		**189**	**(16)**

The notes on pages 111–95 are an integral part of these financial statements.

Banking Department statement of financial position as at 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Assets			
Cash and balances with other central banks	7	1,065	1,116
Loans and advances to banks and other financial institutions	8	177,788	165,967
Other loans and advances	9	654,531	744,305
Securities held at fair value through profit or loss	13	14,367	6,749
Derivative financial instruments	20	594	575
Securities held at amortised cost	16	13,600	15,068
Securities held at fair value through other comprehensive income	17	1,698	1,528
Investments in subsidiaries	24	–	–
Inventories		1	1
Property, plant and equipment	29	348	367
Intangible assets	30	242	247
Retirement benefit assets	26	734	771
Other assets	31	3,610	6,591
Total assets		**868,578**	**943,285**
Liabilities			
Deposits from central banks	10	14,193	10,209
Deposits from banks and other financial institutions	11	717,223	788,426
Deposits from banks – Cash Ratio Deposits	18	–	12,290
Other deposits	12	112,756	109,487
Foreign currency commercial paper in issue	14	9,006	5,882
Foreign currency bonds in issue	15	6,666	6,324
Derivative financial instruments	20	94	37
Current tax liabilities	6	10	–
Deferred tax liabilities	34	485	432
Retirement benefit liabilities	26	120	129
Other liabilities	32	2,428	4,661
Total liabilities		**862,981**	**937,877**

	Note	2025 (£mn)	2024 (£mn)
Equity			
Capital	19	15	15
Capital reserves and other reserves	19	1,228	1,219
Retained earnings	19	2,971	2,902
Revaluation reserves[1]		1,383	1,272
Total equity attributable to shareholder		**5,597**	**5,408**
Total liabilities and equity attributable to shareholder		**868,578**	**943,285**

(1) Revaluation reserves comprise equity investments revaluation reserves and property revaluation reserves.

On behalf of the Governor and Company of the Bank of England:
Mr A Bailey, Governor
Mr S Woods, Deputy Governor
Mr D Roberts, Chair of Court
Ms A Kyei, Chief Financial Officer

The notes on pages 111–95 are an integral part of these financial statements.

Banking Department statement of changes in equity for the year to 28 February 2025

		Attributable to equity shareholder						
	Note	Capital (£mn)	Capital reserves(1) (£mn)	Other reserves(2) (£mn)	Equity investments revaluation reserves (£mn)	Property revaluation reserve (£mn)	Retained earnings (£mn)	Total (£mn)
Balance at 28 February 2023		**15**	**1,180**	**29**	**1,121**	**139**	**2,940**	**5,424**
Post-tax comprehensive income/(loss) for the period		–	–	–	24	(12)	(28)	(16)
Payable to HM Treasury in lieu of dividend	28	–	–	–	–	–	–	–
Transfer to other reserves		–	–	10	–	–	(10)	–
Balance at 29 February 2024		**15**	**1,180**	**39**	**1,145**	**127**	**2,902**	**5,408**
Post-tax comprehensive income/(loss) for the period		–	–	–	128	(17)	78	189
Payable to HM Treasury in lieu of dividend	28	–	–	–	–	–	–	–
Transfer to other reserves		–	–	9	–	–	(9)	–
Balance at 28 February 2025		**15**	**1,180**	**48**	**1,273**	**110**	**2,971**	**5,597**

(1) Capital reserves comprise the capital injection from HM Treasury received on 22 March 2019.
(2) Other reserves comprise post-tax income arising from the investment of the capital injection. This is ring-fenced in accordance with the agreement with HM Treasury.

The notes on pages 111–95 are an integral part of these financial statements.

Banking Department statement of cash flows for the year to 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Cash flows from operating activities			
Profit before taxation		**128**	**32**
Adjustments for:			
Amortisation of intangibles	30	29	28
Depreciation of property, plant and equipment	29	36	37
Loss on sale of securities at amortised cost	16	–	22
Loss on write down of tangible fixed assets	29	1	–
Dividends received	5a	(18)	(14)
Net movement in accrued interest and provisions, including pensions		13	(823)
Changes in operating assets and liabilities:			
Decrease in loan advanced to the Bank of England Asset Purchase Facility Fund Ltd	9	89,774	99,431
Decrease in deposit with Bank of England Alternative Liquidity Facility Ltd		–	60
Net (increase)/decrease in other advances		(6,637)	27,161
Net increase in securities held at fair value through profit or loss		(8,569)	(1,622)
Net decrease in deposits		(63,950)	(129,516)
Net increase in foreign currency commercial paper		2,436	259
Net increase/(decrease) in foreign currency bonds in issue		1,801	(210)
Net decrease in financial derivatives		724	316
Net increase in other accounts		5	2
Net decrease in inventories		–	2
Net cash inflow/(outflow) from operating activities		**15,773**	**(4,835)**
Cash flows from investing activities			
Sales of securities at amortised cost	16	–	289
Proceeds from redemption of securities at amortised cost	16	1,378	1,149
Dividends received	5a	18	14
Purchase of intangible assets	30	(24)	(38)
Purchase of property, plant and equipment	29	(17)	(29)

	Note	2025 (£mn)	2024 (£mn)
Net cash inflow from investing activities		**1,355**	**1,385**
Cash flows from financing activities			
Net decrease in Cash Ratio Deposits	18	(12,290)	(1,127)
Net decrease in lease liabilities		(11)	(13)
Payment to HM Treasury under Section 1(4) of the Bank of England Act 1946	28	–	–
Net cash outflow from financing activities		**(12,301)**	**(1,140)**
Net increase/(decrease) in cash and cash equivalents		**4,827**	**(4,590)**
Cash and cash equivalents at 1 March	22	6,554	11,144
Cash and cash equivalents at 28 February	**22**	**11,381**	**6,554**

Notes to the Banking Department financial statements
Section 1: Overview

The overview includes the general information and bases of preparation for the accounts of the Bank including the detail of the disclosure exemptions taken under the Bank of England Act 1998.

1: General information

The Bank of England is the central bank of the United Kingdom and is incorporated under a Royal Charter of 1694. It is located at Threadneedle Street, London, EC2R 8AH.

Legislation covering its operations includes the Charter of the Bank of England 1694, the Bank Charter Act of 1844, the Bank of England Act 1946 and 1998, the Banking Act 2009, the Financial Services Act 2012, the Financial Services and Markets Act 2023 and the Bank of England Act 1998 (as amended).

The Bank Charter Act 1844 requires that the Bank's note issue function is separated from its other activities. For accounting purposes, the Bank is therefore divided into Issue Department and Banking Department. Neither is an organisational unit of the Bank under the definition of IFRS 8.

The Banking Department comprises all activities of the Bank, with the exception of the Issue Department. Following agreement of the capital framework between the Bank and HM Treasury, the percentage of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters (see note 28).

The statements of account of the Issue Department are given on pages 196–97 and show the banknote issue, the assets backing the issue, the income generated by those assets and the costs incurred in the production, issue, custody and payment of banknotes. The net income of the Issue Department is paid over to the National Loans Fund (NLF).

Under the Bank of England Act 1998 (as amended) a separate statement of accounts in relation to the Prudential Regulation Authority is required. This is a subset of the Banking Department and is managed internally as a business area. The Prudential Regulation Authority statement of accounts have been set out on pages 201–02.

2: Bases of preparation

The principal accounting policies applied in the preparation of the financial statements of the Banking Department are set out in the relevant areas of the notes to the accounts. These policies have been applied consistently to all of the years presented, unless otherwise stated.

a: Form of presentation of the financial statements

The financial statements of the Banking Department comprise the statement of income, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and related notes.

Under the Bank of England Act 1998 (as amended), the Bank, in preparing the financial statements of the Banking Department, is subject to requirements corresponding to the Companies Act 2006 requirements relating to a banking company. The Bank may, however, disregard a requirement to the extent that it considers it necessary to do so having regard to its financial stability objective.

The financial statements of the Banking Department have been prepared in accordance with the measurement and recognition requirements of UK-adopted international accounting standards (IFRS).

Standards issued not yet effective

On 9 April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 ‘Presentation and Disclosure in Financial Statements’ and IFRS 19 ‘Subsidiaries without Public Accountability’.

IFRS 18 replaces IAS 1 ‘Presentation of Financial Statements’ and introduces new disclosure requirements such as new categories and subtotals in the statement of profit or loss, disclosure of management performance metrics and enhanced requirements for grouping information.

IFRS 19 gives eligible companies the opportunity to simplify their reporting processes and reduce the cost of preparing financial statements. A subsidiary electing to apply IFRS 19 can align its accounting policies with the parent company for group reporting purposes and reduce its disclosure burden.

The standards are effective from 1 January 2027 thus do not impact the Annual Report and Accounts this year. The Bank is currently assessing the impact of the new standard on the financial reporting disclosures. IFRS 19 is not in scope of the Bank or its subsidiaries.

Disclosure limitations

IFRS and the Companies Act 2006 have been used as a model for the presentation and disclosure framework to provide additional information related to key items in the financial statements, unless disclosure is deemed unnecessary due to the Bank's financial stability objective.

In exceptional circumstances, as part of its central banking functions, the Bank may act as 'lender of last resort' to financial institutions in difficulty. Although the effects of these operations will be reflected in the financial statements in the year in which they occur, it may not be in the best interests of overall confidence in the financial system as a whole for specific circumstances to be disclosed. However, the existence of such support will be reported in the Annual Report when there is no longer a need for secrecy or confidentiality.

As a result, the financial statements of the Banking Department disclose less detail of certain elements than would be required under either adopted IFRS or the Companies Act 2006.

Disclosure limitations include:

- presentation of the Statement of Income disclosures;
- operating segments;
- contingent liabilities and guarantees;
- information on credit and liquidity risk;
- fair value of collateral pledged and held;
- related party disclosure; and
- off balance sheet arrangements.

b: Accounts of the Prudential Regulation Authority

The activities of the Bank acting as the Prudential Regulation Authority are reported within the Banking Department's financial statements, on the bases described here. The separate financial statements of the Prudential Regulation Authority, as required by Section 7(2A) of the Bank of England Act 1998, have been prepared in line with the requirements of the Act and with the accounts direction received from HM Treasury (further details are included in PRA financial statements on pages 201–02).

c: Going concern

The financial statements for the Banking Department, Issue Department and PRA have been prepared on the going-concern basis. Court has assessed the key financial risks impacting the Bank as disclosed in this report, and the budget for the period of 12 months from the signing of the accounts, and has determined that there are no material uncertainties that may cast significant doubt about the Bank's ability to continue as a going concern and that therefore the going-concern basis is an appropriate assumption to use in preparing the accounts. The Bank has put in place measures to enable it to continue functioning operationally, further details of these have been included in the front section of the Annual Report, on pages 99–100. This included the consideration of operational risk and other matters.

The Bank specifically considered the potential impact of severe, but plausible economic scenarios on the liquidity and loss-absorbing capital of the Bank as well as the impact on expected credit losses (ECL) and pensions. The Bank has considered the output of stress testing in its going-concern assessment, see note 21 'Financial risk management'.

The Bank also assessed the appropriateness of the going-concern disclosure.

d: Consolidation

Under the Bank of England Act 1998, the financial statements are prepared on a non-consolidated basis. As such the financial statements of the Bank's subsidiaries, including the BEAPFF and the BEALF, have not been consolidated. Investments in subsidiaries are stated in the balance sheet at cost, less any provision for impairment in value. Dividends from subsidiaries are recognised in the income statement when declared.

e: Foreign currency translation

i: Functional and presentation currency

The financial statements of the Banking Department are presented in sterling, which is the Bank's functional currency.

ii: Transactions and balances

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Where a gain or loss on a non-monetary item is recognised directly in other comprehensive income, such as equity investments, the related exchange gain or loss is also recognised in other comprehensive income.

f: Commitments on behalf of HM Treasury

In its operation of the Exchange Equalisation Account, the Bank acts as a custodian of gold on behalf of HM Treasury, and provides accounting, trading and operational services. These commitments are not included in the financial statements.

g: Bank of England Heritage Collection

The Bank maintains a heritage collection of assets which are historical and cultural in value, preserved for their contribution to the Bank's cultural legacy. The collection has a remote likelihood of generating economic benefits for the Bank and does not provide meaningful financial information to users of the accounts consequently the assets are not recognised on the balance sheet.

3: Significant accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates

a: Post-retirement benefits

Post-retirement benefits are long-term liabilities whose value can only be estimated using assumptions about developments over a long period. The Bank has employed actuarial advice in arriving at the figures in the financial statements (see note 26, which includes relevant sensitivity analysis). Members of Court consider the assumptions used by the actuary in their calculations to be appropriate for this purpose.

b: Fair value of equity investments

The Bank's accounting policy for the valuation of financial instruments is described in Section 3. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair-value measurement is high. Details of valuation techniques for the different classifications are given in Section 3.

Fair values of the Bank's equity investments rely to a greater extent on unobservable inputs and therefore require some degree of estimation to calculate a fair value. These equity investments, disclosed in note 17, are held by the Bank for the long term as part of its central banking activities and may not be readily saleable. The values have generally been established using an adjusted net asset value basis (see Section 4, which includes relevant sensitivity analysis).

Judgements

Expected credit loss

Impairment under IFRS 9 adopts a staging approach, with Stage 1 representing the lowest credit risk and Stage 3 the highest. When a new asset is originated it is classified as Stage 1 (normal origination). Moving from Stage 1 to Stage 2 is a key judgment, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the immaterial impact of expected credit loss this is not considered to be a significant judgement under IAS 1.

4: Post balance sheet events

The Bank has evaluated post balance sheet events up to the date of the Annual Report and Accounts signing and note that there are no significant events that require adjustment to or disclosure in the financial statements.

Section 2: Results for the year

This section analyses the financial performance of the Bank for the year.

Accounting policies

Net interest income

Net interest income is recognised in the income statement using the effective interest rate method for all interest-bearing financial instruments except for assets measured at fair value through profit and loss and sterling debt securities held for funding and capital management purposes.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, and any revisions to these estimates are recognised in the income statement. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Valuation gains and losses

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise.

Fee income and management fees

Fees are recognised as the service is provided, as this is the point at which the performance obligation, with the identified customer, is considered to be satisfied.

Income from BoE Levy

This comprises operational and transitional income charged under the BoE Levy. The BoE Levy recovers the costs incurred in relation to the activity across the Bank that furthers the Bank's financial stability and monetary policy objectives. Transitional income recovers the cost of moving from the CRD scheme to the BoE Levy. This involves recovering the interest cost incurred from returning CRD deposits via remunerated reserves until the CRD gilt portfolio matures. BoE Levy income is recognised in the income statement in line with the recognition of associated costs.

Income from regulatory activity

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement consultation process, along with fees for specific regulatory activity. This fee income, which is deemed to be equivalent to the value of relevant expenditure incurred in the year, is recognised in the income statement as the service to regulated entities occurs.

Cost recoveries

Costs in relation to reports under section 166 of the Financial Services and Markets Act 2000 are fully recovered directly from the specific entities under review. The recovery of these costs is matched directly to the costs incurred in the income statement within expenditure.

Dividends

Dividends on equity investments that are fair value through other comprehensive income (FVOCI) are recognised in the income statement when declared.

Sundry income

Sundry income mainly includes income accrued in relation to long-term programmes in line with costs incurred, eg the RTGS Renewal Programme.

5a: Net operating income

	Note	2025 (£mn)	2024 (£mn)
Fee income			
Payment services fee income		49	22
Banking operations		12	14
		61	**36**
Other income from financial instruments			
Net income/(expense) from financial instruments designated at fair value		20	(3)
Income from securities held at amortised cost	16	193	191
		213	**188**
Management fees			
Fee for services to BEAPFF	27	2	3
Fee for services to the BEALF	27	–	–
Charges to HM Government bodies	27	74	86
		76	**89**
Income from BoE Levy			
BoE Levy policy income		299	–
BoE Levy transitional income		434	–
		733	**–**
Income from regulatory activity			
Income from PRA regulatory activity		344	315
Income from Financial Market Infrastructure levy		17	13
		361	**328**
Other income			
Dividend income(1)		18	14
Premises income		7	9
Sundry income		51	78
		76	**101**
Net operating income (excluding net interest income)		**1,520**	**742**

(1) In 2025, £18mn dividend income was received from the Bank's unlisted equity investment in BIS (2024: £14mn). See Accounting policies on page 144.

The BoE Levy replaced the CRD scheme on 1 March 2024. BoE Levy policy income recovers the amounts required by the Bank in connection with the funding of its policy functions. These are the functions exercised by the Bank in pursuit of its financial stability and monetary policy objectives.

BoE Levy transitional income recovers costs related to transitioning from the CRD scheme to the Levy resulting from the conversion of unremunerated CRD deposits into remunerated reserves. Consequently, this creates interest expense until the CRD gilt portfolio matures. The gilt portfolio will reduce in line with its maturity profile, with over half of the gilts in the portfolio maturing by 2029, and the remainder steadily running off over the following 10–15 years. For a given year, the transitional income would represent the difference between the level of reserve interest payable and income from the legacy CRD gilt portfolio. Further information can be found in paragraph 1.13 in the BoE Levy Framework Document.[25]

25. www.bankofengland.co.uk/about/governance-and-funding/levy/levy-framework.

5b: Operating expenses

	Note	2025 (£mn)	2024 (£mn)
Staff costs	25	547	474
Total staff costs		**547**	**474**
Infrastructure costs			
Property and equipment		111	102
Depreciation of property, plant and equipment	29	26	27
Lease interest		1	1
Operating lease rentals		1	1
Amortisation of intangible assets	30	29	28
Depreciation on Right of Use assets	29	10	10
Impairment of property, equipment and intangible assets		1	1
Total infrastructure costs		**179**	**170**
Administration and general costs			
Consultancy, legal and professional fees		86	73
Subscriptions, publications, stationery and communications		2	2
Travel and accommodation		4	4
Other administration and general expenses		37	54
Total administration and general costs		**129**	**133**
Operating expenses		**855**	**777**

6: Taxation

Accounting policies

Corporation tax payable on profits, based on UK tax laws, is recognised as an expense in the period in which profits arise. The Bank is entitled to tax relief on the amount due to HM Treasury as a payment in lieu of a dividend in accordance with Section 1(4) Bank of England Act 1946.

Tax relief on any amounts due to HM Treasury is credited directly to the income statement in accordance with paragraph 57A of IAS 12.

The tax charged within the income statement is made up as follows:

	Note	2025 (£mn)	2024 (£mn)
Corporation tax – current year		10	–
Corporation tax – prior year		–	–
Deferred tax – current year	34	20	6
Deferred tax – prior year	34	–	(7)
Tax (credit)/charge on profit		**30**	**(1)**

The tax charged within the income statement differs from the amount calculated at the basic rate of tax on the profit for the year and is explained below:

	2025 (£mn)	2024 (£mn)
Profit before tax	**128**	**32**
Tax calculated at rate of 25% (2024: 24.50%)	32	8
Non-taxable income	(4)	(4)
Non-deductible expenses	2	2
Prior year adjustments	–	(7)
Total tax (credit)/charge for the period	**30**	**(1)**

Tax (credited)/charged to equity through other comprehensive income:

	Note	2025 (£mn)	2024 (£mn)
Tax (credited) to equity through other comprehensive income			
Current tax		–	–
Deferred tax charge/(credit)	34	33	(15)
Tax charge/(credit) to equity through other comprehensive income		**33**	**(15)**

	2025 (£mn)	2024 (£mn)
Breakdown of tax (credited)/charged to equity through other comprehensive income		
Revaluation of FVOCI securities	42	8
Tax losses carried forward	-	–
Revaluation of property	(3)	(2)
Remeasurements of retirement benefits	(6)	(21)
Tax charge/(credit) to equity through other comprehensive income	**33**	**(15)**

The rate applicable for the year ended 28 February 2025 is 25% (2024: 24.5%).

Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

On 23 May 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately and were approved for adoption by all members of the UK Endorsement Board on 19 July 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Bank of England qualifies for the Governmental Entities exemption.

Section 3: Financial assets and liabilities

This section analyses the financial assets and liabilities held by the Bank in fulfilling its policy objectives.

Financial instruments

Accounting policies

Financial instruments: assets
i: Classification of financial assets

Classification and measurement
IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects: the business model within which the asset is held (the business model test) and the contractual cash flows of the asset in relation to the solely payments of principal and interest (SPPI) test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The Bank determines the classification at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVPL.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair-value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely payments of principal and interest (SPPI) criteria

Under IFRS 9, the SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (eg liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (eg non-recourse asset arrangements); and
- features that modify consideration of the time value of money – eg periodical reset of interest rates.

Financial assets at amortised cost

The Bank classifies financial assets at amortised cost where the business model is to hold these assets to collect contractual cash flows and the SPPI criteria has been met.

This category includes sterling debt securities, loans made under the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), secured lending agreements (reverse repurchase agreements under open market operations) held at amortised cost and the loans to BEAPFF and BEALF. Assets in this category exclude those reverse repurchase agreements which are designated at fair value through profit or loss.

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and associated liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

The Bank defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Bank does not currently hold any financial assets for trading but has elected to designate the following at fair value through profit or loss at inception:

- securities and reverse repurchase agreements matching the Bank's issued foreign currency securities; and
- securities and reverse repurchase agreements matching the fixed-term deposits placed at the Bank by other central banks.

Financial assets at fair value through other comprehensive income

The Bank has made an irrevocable election to designate unlisted equity investments at fair value through other comprehensive income. These are designated at fair value through other comprehensive income as they are not held for trading.

The unlisted equity investments held by the Bank are held as part of its functions as a central bank and are thus of a long-standing nature. It includes the Bank's investment in the Bank for International Settlements which consists of shares of 5,000 Special Drawing Rights.

ii: Initial recognition of financial assets

All financial assets are initially recognised at fair value plus or minus directly attributable transaction costs. Loans and advances and reverse repurchase agreements designated at fair value through profit or loss are recognised on a settlement-date basis. Purchases of all other categories of financial assets are recognised on a trade-date basis.

iii: Subsequent valuation of financial assets

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the income statement. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the income statement using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Bank establishes fair value by using appropriate valuation techniques. The policy for establishing fair values of securities in non-active markets is described in note 3 'Significant accounting estimates and judgements in applying accounting policies' on pages 115–16.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has either transferred substantially all of the risks and rewards of ownership or the Bank deems that it no longer retains control of the risks and rewards of ownership.

The Bank has no modified financial instruments.

iv: Impairment of financial assets

IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVPL, under the expected credit loss model:

- financial assets that are debt instruments measured at amortised cost or FVOCI;
- lease receivables; and

- loan commitments and financial guarantee contracts issued.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. Under IFRS 9, no impairment loss is recognised on equity investments.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- on financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – ie the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive; and

- on financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Definition of default

Under IFRS 9, the Bank will consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (ie risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process, which keeps the creditworthiness of counterparties under review, and would highlight any counterparty that showed indications of a significant increase in credit risk.

Impairment under IFRS 9 adopts a staging approach. When a new asset is originated it is classified as Stage 1 (normal origination). Moving from Stage 1 to Stage 2 is a judgement based on management defined criteria of whether there is a significant increase in or absolute amount of credit risk (note 3). Staging determines whether 12-month ECL (Stage 1) or lifetime ECL (Stage 2 and 3) is applicable. If the indicators of significant increase in credit risk are no longer present then the asset returns from Stage 2 to Stage 1. The move from Stage 2 to Stage 3 is based upon 'default'. If an asset ceases to be 'defaulted' then it will return to Stage 2. Staging and cure (being no longer in default) is assessed using the Bank's internal credit rating framework.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- probability of default (PD);
- exposure at default (EAD); and

- loss given default (LGD).

PD estimates are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors. The calculation is provided by Financial Risk and Resilience Division (FRRD) and relates to the credit risk rating scale provided by the Financial Risk Management Division (FRMD).

EAD is the magnitude of the exposure if there is a default. The Bank derives EAD parameters based on the risk characteristics of the collateral used for loans, and considering the potential for changes in the value of that collateral from the point of lending until the collateral could be liquidated post-default.

LGD is the proportion of an exposure that is lost as a result of a counterparty default.

Forward-looking information

IFRS 9 Financial Instruments requires that in determining the ECL, estimates of forward-looking macroeconomic factors are incorporated in multiple scenarios about the future economy. The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information.

This process involves developing four different economic scenarios, which represent a range of scenarios linked to economic variables such as house prices and interest rates. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments, choosing scenarios that specifically test the resilience of the Bank to financial stress.

ECL calculation

ECL is calculated by identifying scenarios in which a loan or receivable defaults, estimating the cash shortfall that would be incurred and then multiplying that loss by the probability of the default happening.

When an ECL is identified, the carrying amount of the asset would be reduced and the amount of ECL is recognised in the income statement. At 28 February 2025 the Bank recognised an ECL provision less than £1mn (2024: less than £1mn).

Financial instruments: liabilities

i: Classification of financial liabilities

The Bank classifies its financial liabilities in the following categories: liabilities measured at amortised cost and financial liabilities at fair value through profit and loss.

Liabilities measured at amortised cost

Short-term customer deposits held are carried at cost with interest expense accruing on an effective interest rate basis. Money market instruments are carried at cost and are issued at a discount which is amortised through the income statement on an effective interest rate basis.

Financial liabilities at fair value through profit or loss

The Bank designates the following financial liabilities at fair value through profit or loss:

- commercial paper with tenor not less than one day or more than 364 days denominated in non-sterling currencies;

- three-year bonds denominated in US dollars, which were issued as part of the Bank's annual medium-term issuance programme, including the repurchase agreements matching the Bank's issued foreign currency securities; and

- fixed-term deposits placed by other central banks including the repurchase agreements matching the deposits.

This designation is to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring associated assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

ii: Initial recognition of financial liabilities

Fixed-term deposits taken from central banks are recognised on a settlement-date basis. Money market instruments issued, short-term deposits, commercial paper issued and bonds issued by the Bank are recognised on a trade-date basis.

iii: Subsequent valuation of financial liabilities

Gains and losses arising from changes in the fair value of liabilities classified at fair value through profit or loss are included in the income statement in the period in which they arise.

The fair values of quoted financial liabilities are based on current offer prices, as this is considered to be the price that would be paid to transfer a liability in an orderly transaction between market participants.

Financial liabilities are derecognised when the obligation to pay cash flows relating to the financial liabilities has expired. If the Bank buys any of its own securities as part of its operations, these are removed from the balance sheet.

Collateral pledged under sale and repurchase agreements

Securities sold subject to repurchase agreements are assets provided as collateral where the transferee has the right by contract or custom to sell the collateral. These securities remain on the balance sheet and the liability is included in deposits from banks and other financial institutions. Securities purchased under agreements to resell ('reverse repurchase agreements') are not recognised on the balance sheet; the payment to buy the securities is included in loans and advances to banks and other financial institutions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

Securities loaned to counterparties also remain on the balance sheet. Securities borrowed are not recognised on the balance sheet, unless they are sold to third parties, in which case the obligation to return the securities is recorded at fair value as a liability.

The Bank may accept its own securities as collateral for reverse repurchase agreements. Such reverse repurchase transactions are treated as collateralised and are treated in the same way as other reverse repurchase transactions.

7: Cash and balances with other central banks

	Note	2025 (£mn)	2024 (£mn)
Cash and balances with other central banks	22	1,065	1,116
		1,065	**1,116**

Cash and balances with other central banks are held in correspondent accounts used for Bank and customer business.

8: Loans and advances to banks and other financial institutions

	2025 (£mn)	2024 (£mn)
Secured lending agreements held at amortised cost	67,894	2,939
Reverse repurchase agreements held at fair value through profit and loss	13,136	11,688
Other loans and advances	13	16
Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) loans	96,745	151,324
	177,788	**165,967**

These balances include advances, secured lending and reverse repurchase agreements arising as part of the Bank's open market operations, as well as advances matching the deposits taken (notes 10 to 12).

The level and composition of the Bank's open market operations depends on movements in the Bank's balance sheet as detailed on the web pages of the Bank of England Market Operations Guide.[26]

Accrued interest on secured lending agreements held at amortised cost is recognised in note 31 'Other assets'.

Secured lending agreements increased due to higher demand for open market operations which was driven by falling reserves.

Substantial decrease in TFSME balances is due to loan maturities and early terminations during the year.

At 28 February 2025 loans and advances to banks and other financial institutions included cash and cash equivalents of £10.3bn (2024: £5.1bn) which are disclosed in note 22.

26. www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide.

Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME)

In March 2020, the Bank's policy committees announced a comprehensive package of measures to help UK businesses and households manage the economic disruption caused by the Covid virus. Part of this package involved the launch of the Term Funding Scheme with additional incentives for SMEs (TFSME).

The TFSME was designed to:

- help reinforce the transmission of the reduction in Bank Rate to the real economy to ensure that businesses and households benefit from the MPC's actions;
- provide participants with a cost-effective source of funding to support additional lending to the real economy, providing insurance against adverse conditions in bank funding markets;
- incentivise banks to provide credit to businesses and households to bridge through a period of economic disruption; and
- provide additional incentives for banks to support lending to small and medium-sized enterprises (SMEs) that typically bore the brunt of contractions in the supply of credit during periods of heightened risk aversion and economic downturns.

The drawdown period ran until 31 October 2021, or 30 April 2021 for participants which opted out of the TFSME extension. The original term of each transaction was for four years from the date of drawdown. Participants in a TFSME Group that contains one or more accredited lenders under the British Business Bank's Bounce Back Loan Scheme (BBLS) were able to extend the term of some transactions to align with the term of loans made through the BBLS. Please refer to the relevant Operating Procedures[27] for further information. Participants may terminate any transaction, in part or in full, before its maturity date. The Bank charges interest on TFSME transactions equal to Bank Rate plus a Scheme fee (TFSME Fee). The fee is determined based on the net lending of each participant over the reference period of the scheme. This fee ranges from 0 basis points to 25 basis points. The reference period ran from 31 December 2019 to 30 June 2021, or 31 December 2020 for participants which opted out of the TFSME extension.

TFSME scheme fees arising on lending are recognised as income on an accruals basis.

27. TFSME operating procedures, www.bankofengland.co.uk/-/media/boe/files/markets/term-funding-scheme-sme/operating-procedures.pdf.

TFSME income reflects Bank Rate on TFSME loans and £0.3mn (2024: £1.3mn) scheme fees receivable in the year. TFSME scheme fees are retained by the Bank as income.

Accrued interest for TFSME is disclosed in note 31 'Other assets'.

9: Other loans and advances

	Note	2025 (£mn)	2024 (£mn)
Loan to the Bank of England Asset Purchase Facility Fund Ltd	27b	654,531	744,305
		654,531	**744,305**

Loan to the Bank of England Asset Purchase Facility Fund Ltd

In January 2009, the Chancellor authorised the Bank to set up the BEAPFF to buy high-quality assets financed by the issue of Treasury bills. The aim of the APF was to improve liquidity in credit markets. The Chancellor also announced that the APF provided an additional tool that the MPC could use for monetary policy purposes. When the APF is used for monetary policy purposes, purchases of assets are financed by the creation of central bank reserves.

The APF transactions are undertaken by a subsidiary company of the Bank of England – the Bank of England Asset Purchase Facility Fund Limited (BEAPFF). The transactions are funded by a loan from the Bank.

The Bank has continued the programme set out by the MPC to reduce the stock of corporate bonds and gilts held in the APF via maturities and sales. The Bank completed all planned sales of corporate bonds held in the APF in June 2023, with the remaining corporate bonds fully maturing in April 2024. The proceeds from these activities have been used to repay part of the loan from the Bank.

The loan amount excluding accrued interest due from BEAPFF as at 28 February 2025 is £654.5bn (2024: £744.3bn).

Accrued interest of £1.9bn on the loan is recognised in note 31 'Other assets'.

10: Deposits from central banks

	2025 (£mn)	2024 (£mn)
Deposits repayable on demand	1,309	2,185
Term deposits held at fair value through profit and loss	12,884	8,024
	14,193	**10,209**

Term deposits held at fair value through profit and loss largely constitute deposits the Bank accepts from its central bank customers to support sterling as a global reserve currency and to support the reserve management requirements of other central banks.

Accrued interest on deposits repayable on demand is recognised within 'Short-term creditors and other liabilities' in note 32 'Other liabilities'.

11: Deposits from banks and other financial institutions

	2025 (£mn)	2024 (£mn)
Deposits repayable on demand	716,524	788,100
Repurchase agreements	699	326
	717,223	**788,426**

Accrued interest on deposits repayable on demand is recognised within 'Short-term creditors and other liabilities' in note 32 'Other liabilities'.

The majority of deposits repayable on demand comprises reserves accounts held at the Bank. Reserves accounts are sterling current accounts for banks, building societies and other financial institutions. They are the most liquid asset a financial institution can hold and are the ultimate means of settlement.

The rate paid by the Bank on reserves account balances is also the means by which the Bank keeps market interest rates in line with Bank Rate. All reserves balances are remunerated at Bank Rate.

The repurchase agreements arise as part of the Bank's foreign currency balance sheet management operations.

12: Other deposits

	2025 (£mn)	2024 (£mn)
Deposit by Issue Department	89,093	85,512
Public deposits repayable on demand	9,970	7,510
Other deposits repayable on demand	13,693	16,465
	112,756	**109,487**

Public deposits are the balances on HM Government accounts, including Exchequer, NLF, Debt Management Office (DMO), National Debt Commissioners and dividend accounts.

Other deposits repayable on demand includes the BEAPFF cash deposit of £13.3bn (2024: £15.7bn) in note 27 'Related parties' and other customer deposits.

Accrued interest on other deposits repayable on demand is recognised within 'Short-term creditors and other liabilities' in note 32 'Other liabilities'.

Foreign exchange reserves

13: Securities held at fair value through profit or loss

	2025 (£mn)	2024 (£mn)
Money market instruments	7,979	1,773
Listed foreign government securities	6,388	4,976
	14,367	**6,749**

The holdings of foreign government securities are funded by the Bank's issuance of foreign currency commercial paper (note 14), foreign currency bonds (note 15) and fixed-term deposits held at FVPL placed by other central banks (note 10). Designation at FVPL is to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

The increase in money market instruments is due to higher demand for commercial paper issuances.

At 28 February 2025, money market instruments included cash and cash equivalents of £53mn (2024: £357mn) which are disclosed in note 22 'Cash and cash equivalents'.

14: Foreign currency commercial paper in issue

The Bank issues short-term securities to support balance sheet management practices of foreign exchange reserves.[28] The tenor of the Notes shall be not less than one day or more than 364 days from and including the date of issue to (but excluding) the maturity date.

	2025				2024			
	Fair value (£mn)	Nominal ($mn)	Fair value (£mn)	Nominal (EUR €mn)	Fair value (£mn)	Nominal ($mn)	Fair value (£mn)	Nominal (EUR €mn)
Total amounts issued to third parties	6,478(1)	8,274	2,528(1)	3,067	4,212	5,369	1,670	1,975

(1) As at the end of 28 February 2025 the combined fair value of foreign commercial paper in issue was £9,006mn (2024: £5,882mn).

15: Foreign currency bonds in issue

	2025		2024	
	Fair value (£mn)	Nominal ($mn)	Fair value (£mn)	Nominal ($mn)
Total amounts issued to third parties	6,666	8,250	6,324	8,000

The Bank's foreign exchange reserves can be used by the Bank to intervene in the foreign exchange market in pursuit of its monetary policy objectives. This was set out in the Monetary Policy Framework[29] introduced by the Government in 1997. Discussion of the Bank of England's foreign exchange reserves is included in the 2011 Q3 Quarterly Bulletin,[30] page 194.

At 28 February 2025, as part of the Bank's annual medium-term security issuance programme, the Bank had three $2,000m and one $2,250m three year dollar bonds in issue (2024: four $2,000m three year dollar bonds); the first maturing on 21 March 2025, the second on 6 March 2026, the third on 5 March 2027, and the fourth on 26 February 2028.

28. www.bankofengland.co.uk/markets/market-notices/2021/september/foreign-currency-reserves-september-2021-market-notice.
29. www.bankofengland.co.uk/-/media/boe/files/letter/1997/chancellor-letter-060597.
30. www.bankofengland.co.uk/-/media/boe/files/quarterly-bulletin/2011/markets-and-operations-2011-q3.pdf.

The most recent bond (the 19th in the overall programme) was issued on 19 February 2025 with settlement on 26 February 2025. This bond matures on 26 February 2028. Refer to the Foreign Currency Reserves 2025 Market Notice[31] for further details of the issuance.

Of the above liabilities to third parties, £1,600mn (2024: £1,582mn) fall due within one year.

31. **www.bankofengland.co.uk/markets/market-notices/2025/february/foreign-currency-reserves-18-feb-2025**.

Section 4: Investments, capital management, funding and risk management

This section analyses the financial assets and liabilities held by the Bank to fund its activities.

The Bank is funded in a variety of ways which are described in more detail in the Financial Review section of the Report (pages 36–47).

Under the CRD scheme, institutions placed non-interest bearing deposits at the Bank, as reported in note 18.

The Bank invested these deposits (mainly in gilts), as reported in note 16, and the income earned was used to fund the costs of its monetary policy and financial stability operations, which benefited sterling deposit-takers.

Under the Bank of England Act 1998, the percentage and threshold used in calculating the CRDs is set by HM Treasury, after considering the financial needs of the Bank and subject to approval of both Houses of Parliament. As of 1 March 2024 the CRD scheme has ceased and the BoE Levy has since been implemented as a funding mechanism. Further details are available in the Financial Review section of this Report.

The PRA is funded through a levy, further details can be found in the PRA statements (pages 201–10).

Accounting policies

Debt securities

British Government securities and other sterling securities are held as investments. The Bank holds these securities for the long term, generally to maturity. All debt securities have fixed coupons. See Section 3 for accounting policies on financial assets.

Indemnified operations

The Bank may enter into arrangements where it is fully protected, without charge, from loss by HM Treasury. Surpluses from such indemnified operations, after the deduction of fees, operating costs and tax, are treated as a capital contribution and taken directly to equity as distributable reserves.

BEAPFF's operations are fully indemnified for loss by HM Treasury and any surplus for these operations is due to HM Treasury.

16: Securities held at amortised cost

	2025 (£mn)	2024 (£mn)
British Government securities listed on UK exchange[1]	13,600	15,068
	13,600	**15,068**

(1) As at the end of 28 February 2025 the fair value of the securities held at amortised cost was £11,638mn (2024: £12,906mn).

	2025 (£mn)	2024 (£mn)
At 1 March	15,068	16,619
Purchases	–	–
Sales	–	(289)
Redemptions	(1,378)	(1,149)
Amortisation of premium/discount and movement in accrued interest	(90)	(91)
Loss on sale of securities	–	(22)
At 28 February	**13,600**	**15,068**

Securities held at amortised cost relates mainly to the legacy CRD scheme and the Bank's free capital and reserves. This CRD scheme was replaced as of 1 March 2024 by the BoE Levy. Further details are available in the Financial Review section of this Report. The Bank made a policy decision to return deposits from CRD scheme to institutions in full on 4–5 March 2024. A further decision was made to hold the gilt investments until maturity.

Items in the course of settlement for securities held at amortised cost at the year ended 28 February 2025 were £nil (2024: £nil). There were no sales of securities within the year (2024: £289mn). The cash purchases for the year are £nil (2024: £nil).

Income recognised in the year ended 28 February 2025 for the Bank's securities held at amortised cost was £193mn (2024: £191mn). In the current year this comprises interest income and purchase premium amortisation while prior year amount comprises interest income and purchase premium amortisation and realised losses on sales.

Accounting policies

Unlisted equity investments

The Bank holds unlisted equity investments as part of its functions as a central bank and are thus of a long-standing nature. The Bank's holdings in any particular institution may change from time to time as part of realignments of holdings among the shareholders and participants.

Fair values of unlisted equity investments reflect the price that a knowledgeable willing party would pay in an arm's length transaction.

The Bank holds unlisted equity investments in the Bank for International Settlements (BIS) and the Society for Worldwide Interbank Financial Telecommunication (Swift). These investments have been valued based on the adjusted net asset value basis providing a total value of £1,698mn (2024: £1,528mn).

The Bank's investment in BIS (incorporated in Switzerland) consists of shares of 5,000 Special Drawing Rights (SDR), which are 25% paid. At 28 February 2025 the holding represents 8.4% (2024: 8.4%) of the issued share capital.

The fair value of the BIS shares is estimated to be 70% of the Bank's interest in the net asset value of the BIS at the reporting date. The 30% discount to net asset value is based on the discount rate used by the BIS for all share repurchases since the 1970s and was further endorsed by a decision by the International Court at the Hague relating to the last share repurchase conducted by the BIS (in 2001). The Bank's financial statements incorporates the most recently available data from the BIS. The Bank expects the value of the BIS shares to fluctuate over time in conjunction with the strength of the BIS balance sheet and exchange rates. If the value of the net assets of the BIS changed by 1%, the value of the investments would change by £17mn (2024: £15mn).

Since 1930 there has also been an amount in respect of uncalled capital on the Bank's investment in the BIS, now denominated in SDR. The sterling equivalent of this amount based on the SDR price at the balance sheet date was £186mn (2024: £188mn). The balance of £186mn is callable at three months' notice by a decision of the BIS Board of Directors. As this amount has not been called since being established in 1930, it is considered a remote possibility, and so is not considered or disclosed as a contingent liability, in line with IAS 37. Any foreign currency gains or losses are taken to the statement of other comprehensive income in the year when they have arisen.

17: Unlisted equity investments at fair value

	2025 (£mn)	2024 (£mn)
Unlisted equity investments at fair value	1,698	1,528
	1,698	**1,528**

	2025 (£mn)	2024 (£mn)
At 1 March	1,528	1,495
Revaluation of securities	185	99
Foreign currency (losses)/gains	(15)	(67)
Purchase of securities	–	1
At 28 February	**1,698**	**1,528**

Unlisted equity investments comprise the Bank's investment in BIS and Swift.

18: Cash Ratio Deposits

	2025 (£mn)	2024 (£mn)
Cash Ratio Deposits	–	12,290
	–	**12,290**

On 1 March 2024, the BoE Levy replaced the CRD scheme as a means of funding the costs of the Bank's monetary policy and financial stability operations. The CRD balance was fully repaid to the participating institutions upon the replacement of the CRD scheme. Further details are available in Note 5a and the Financial Review section of the Report.

19: Capital and retained earnings

	2025 (£mn)	2024 (£mn)
Capital	15	15
Capital reserve and other reserves	1,228	1,219
Retained earnings	2,971	2,902
	4,214	**4,136**

The entire capital comprising £14,553,000 of Bank Stock is held by the Treasury Solicitor on behalf of HM Treasury. The Bank uses these funds to support its normal operations.

The agreed capital framework between the Bank and HM Treasury states that Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters.[32]

20: Derivative financial instruments

Accounting policies

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques such as discounted cash-flow models. Generally the best evidence of the fair value of a derivative at initial recognition is the transaction price (ie the fair value of the consideration given or received). All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are used for matching exposures on assets and liabilities, both individually and of portfolios. The Bank does not apply the hedge accounting rules of IFRS 9.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a current and legally enforceable right to offset the amounts recognised and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Bank does not perform net settlements with its counterparties.

The Bank uses the derivative instruments including agreements for cross-currency interest rate swaps, interest rate swaps, inflation linked swaps, and forward exchange contracts. The main purpose of these is to manage the currency, inflation, and interest rate exposures on the Bank's portfolio of financial assets and financial liabilities. They may also be used as an instrument in monetary policy transactions.

Interest rate swaps are exchange-traded contractual obligations to receive or pay a net amount based on changes in interest rates. The credit risk is limited because changes in the price of the contracts are settled daily with the exchange. Cross-currency interest rate swaps, inflation linked swaps, interest rate swaps and forward exchange contracts are commitments

32. For more details on these, visit: www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship.

to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (eg fixed rate for floating rate) or a combination of these. Inflation linked swaps are contractual obligations where counterparties exchange cash flows based on a fixed rate and an inflation index. These swaps help manage exposure to inflation risk by linking payment to changes in a specified inflation index. Credit risk is mitigated through collateral arrangements or daily settlements, depending on the terms of the agreement, ensuring that any changes in value are promptly addressed.

An exchange of principal occurs for cross-currency interest rate swaps, inflation linked swaps and forward exchange contracts, but no such exchange of principal usually occurs for interest rate swaps. The Bank’s credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on a daily basis with reference to the current fair value. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities and will take collateral if the replacement cost of all transactions with the counterparty breaches relevant thresholds.

The notional amounts of derivative financial instruments provide a basis for comparison with other instruments recognised in the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Bank’s exposure to credit or price risks.

The derivative instruments move into profit (in which case they are treated as assets) or loss (in which case they are treated as liabilities) as a result of fluctuations in market prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments outstanding, the extent to which instruments have moved into profit or not, and thus the aggregate fair values of derivative financial instruments and liabilities, can fluctuate significantly from time to time.

a: As at 28 February 2025

	Contract notional amount (£mn)	Fair values Assets (£mn)	Fair values Liabilities (£mn)
Cross-currency interest rate swaps	3,084	303	(8)
Interest rate swap	11,474	5	(3)
Inflation linked swaps	441	–	(7)
Forward exchange contracts	19,780	286	(76)
Total recognised derivative assets/(liabilities)		**594**	**(94)**

b: As at 29 February 2024

	Contract notional amount (£mn)	Fair values Assets (£mn)	Fair values Liabilities (£mn)
Cross-currency interest rate swaps	3,461	470	(9)
Interest rate swaps(1)	2,863	1	–
Forward exchange contracts	10,905	104	(28)
Total recognised derivative assets/(liabilities)		**575**	**(37)**

(1) As at 29 February 2024, the fair values of interest rate swaps assets and liabilities were £815,531 and £476,853 respectively.

The net movement on derivatives in the year is £38mn from a net asset position of £538mn as at 29 February 2024 to £500mn as at 28 February 2025 (2024: movement of £228mn from a net asset position of £310mn as at 28 February 2023 to £538mn as at 29 February 2024).

21: Financial risk management

The Bank is required to manage the financial risks that arise on its balance sheet and as a consequence of its operations to deliver its policy objectives. These include credit risk, market risk and liquidity risk.

The Bank's management seeks to ensure that effective risk management processes exist for assessing, managing and monitoring risk, within clear risk policies. There are governance arrangements set out in a Balance Sheet Remit and Financial Risk Standards (approved by the Executive Risk Committee) and documented delegated authorities for implementation of financial risk management and oversight of the Bank's operations. The Financial Risk Standards also set out how the Bank's financial risk tolerance is translated into practice through a cross-balance sheet set of limits and monitoring thresholds, which delineate the Bank's usual risk levels. These are review points beyond which an active decision is required that the extra risk is justified by the expected policy benefits.

The Bank applies fundamentally the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances.

Specialist teams and committees support senior management in ensuring that agreed standards and policies are followed:

- The Financial Risk Management Division (FRMD) within the Bank's Markets Directorate is responsible for analysing the financial risks faced by the Bank in its operations in financial markets, and exercising control on financial risks as they are taken through those operations.

- The Financial Risk and Resilience Division (FRRD) is responsible for providing forward-looking assessment and challenge of financial risks to the Bank's balance sheet across all its financial operations, and for setting the framework within which financial risk is taken.

- Middle Office is responsible for the pricing, valuation and financial control of exposures and collateral positions arising from the Bank's market operations, including counterparty and instrument management.

The Bank makes use of stress tests to assess financial risk across its balance sheet. These stress tests are designed by FRRD to test the Bank's ability to withstand severe but plausible scenarios, and cover credit, market and liquidity risks.

Key risk features captured by the stress tests include (but may not be limited to):

- potential expansion of the Bank's balance sheet in a stress eg through additional liquidity provision;
- rating migration and potential default of counterparties; and
- shocks on asset prices, both where the Bank has positions on its balance sheet, and where these assets are held as collateral.

The stress tests applied to the Bank's own balance sheet are calibrated such that they are suitably severe – at least as severe as the FPC's and PRC's bank stress tests, given the Bank's role as lender of last resort. For credit risk, the Bank uses a stressed Exposure at Default (EAD) metric to measure the potential financial loss that could be incurred in the event of counterparty default, net of collateral held, where that collateral is also stressed. The same exposure measurement methodology is used for IFRS 9 expected credit loss assessment, but calibrated for a range of different economic scenarios. For market risk, the Bank uses a stressed loss metric to measure the potential mark-to-market losses from shocks to asset prices.

The stress tests used by the Bank are reviewed periodically by internal committees, to continue to capture key risk drivers of the balance sheet and current market conditions, as well as potential future risks that could arise due to changing economic outlooks.

This forward-looking view is embedded in the financial framework agreed between HM Treasury and the Bank in June 2018 and codified into an MoU, which was updated in February 2025.[33] Its objective is to ensure that the Bank has the financial resources needed to undertake the financial operations necessary to deliver its objectives even under severe but plausible scenarios. The MoU sets out the principles underpinning which types of operations would be backed by the Bank's own capital, and the types of operations for which the Bank may request an indemnity from HM Treasury:

Principle 1 – Purpose of Bank capital: operations that lie within the Bank's objectives of maintaining monetary and financial stability should be backed by its own capital, unless those operations bear a level of risk beyond the tolerance approved by Governors and Court.

33. www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/financial-relationship-between-hmt-and-boe-mou.pdf.

Principle 2 – Nature of operations backed by capital: consistent with Principle 1 above, the following types of operations should be backed by capital:

- secured lending in line with the Bank's published frameworks, including against eligible collateral; and

- asset purchase operations to support conventional monetary policy implementation, the Bank's official customer business or the funding of the Bank.

Principle 3 – Size of operations backed by capital: the actual level of the Bank's loss-absorbing capital at any point in time should allow it to continue to undertake the operations under Principle 2, both in normal market and liquidity conditions and under a set of severe but plausible scenarios, without falling below the capital floor. These scenarios are approved by Governors and Court.

Principle 4 – Other operations: The financial backing for other operations, including those covered under the 'Memorandum of Understanding on resolution planning and financial crisis management', unconventional monetary policy asset purchases and Market Maker of Last Resort operations should be assessed on a case-by-case basis. The presumption is that such operations would only be backed by the Bank's capital where the resultant exposures do not exceed the Bank's loss-absorbing capital, when (i) evaluated according to the set of severe but plausible scenarios agreed by Governors and Court and (ii) added to the Bank's existing commitments described in Principles 1–3.

a: Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. The Bank is exposed to credit risk both through direct exposures and contingent exposures. Credit exposure can arise from (i) operations implementing monetary or financial stability policy, (ii) the management of the Bank's balance sheet, or (iii) contingently as part of an insurance contract. Insurance contracts can be used to mitigate exposures arising in several areas, including but not necessarily restricted to buildings, motor vehicles and other property of the Bank, as well as contingent exposures related to banknote issuance and circulation activities.

The primary source of credit risk arises as a result of the Bank providing liquidity to financial institutions via the Term Funding scheme with additional incentives for SMEs, and Sterling Monetary Framework; the Bank's provision of intraday liquidity to facilitate the operation of the sterling high-value payment system (CHAPS) and the securities settlement system, CREST; and elsewhere in the Bank's management of its balance sheet, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers. In addition, the Bank incurs credit risk in connection with any support operations it may undertake.

Credit exposures (measured using a stressed EAD metric) are controlled by a system of limits and monitoring thresholds based on internal credit ratings, which apply to all credit exposures across the balance sheet. Limits and monitoring thresholds exist to control the maximum credit exposures to a single counterparty group, as well as aggregate exposure to individual countries.

Credit assessments are performed on all market counterparties, issuers and customers to which the Bank may be exposed. These are performed both regularly, following a timetable that reflects the risk of the actual or potential exposure, and dynamically, in response to market or specific entity conditions.

Internal committees, chaired by the Head of FRMD, review the creditworthiness of issuers, counterparties and customers to whom the Bank may have credit exposures. These committees are supported by a credit risk analysis team. Counterparty ratings are recommended by Head of FRMD with the Head of FRRD given an opportunity to challenge the rating recommendations. The final ratings are then sent to Middle Office for implementation.

Credit risk on the securities held outright by the Bank is managed by holding only securities internally rated as equivalent to investment-grade in routine circumstances, which are issued chiefly by governments, government agencies and supranational organisations; and by a schedule of credit limits that vary based on internal rating.

Collateral management

In providing short-term liquidity via the Bank's Sterling Monetary Framework operations and, intraday, via the Bank's operation of wholesale payment systems, credit risk is mitigated by ensuring that exposures are fully collateralised (with appropriate haircuts) by securities, which are issued chiefly by governments, government agencies and supranational organisations, which meet the Bank's minimum standards of liquidity and credit risk. The Short-Term Repo facility, which became operational in October 2022, is collateralised by the same highly liquid securities.

In the Bank's Indexed Long-Term Repo Operations, Discount Window Facility, Contingent Term Repo Facility and Term Funding scheme with additional incentives for SMEs, the Bank accepts a wide range of private sector collateral. The collateral can include mortgage-backed securities, covered bonds backed by mortgages or public sector securities, other asset-backed securities (such as those backed by credit card receivables, student loans or auto loans), or portfolios of loans in unsecuritised form. The collateral must meet published eligibility criteria.

A summary of eligible collateral, including which collateral is eligible for which facility, can be found on the Bank's website.

The Bank manages the risk in this wider collateral portfolio by applying haircuts to take account of market risk, liquidity risk, credit risk, and all other material risks to the realisable value of the collateral. The usual level of protection targeted through haircuts is at least a 99% level of confidence that, in the event of a counterparty default, the value of the collateral will be sufficient to cover the outstanding amount owed to the Bank, even in stressed scenarios. The Bank may vary haircuts at its discretion, including on individual securities.

The Bank values securities daily and calls for additional collateral where the haircut-adjusted value is less than the value of its exposure. Where possible the Bank uses a market price to value securities; where a market price is not available the Bank uses a model to approximate a market value. The pricing methodologies and the models are under regular review, including via a Valuation Review Committee, chaired by the Head of Middle Office.

A Collateral Risk Committee, chaired by the Head of FRMD, reviews issues relating to the full range of collateral and considers policy issues relating to stress testing, valuation and eligibility of collateral including in response to market or entity-specific conditions. It also reviews eligibility of a counterparty to pledge portfolios of loans as collateral, based on an assessment of the firm's risk management policies, and also reviews eligibility of individual portfolios.

Models used for pricing and for calculating haircuts are independently reviewed and validated by FRRD.

Geographical concentration of assets and liabilities

The Bank undertakes its operations in the United Kingdom. It does, however, accept deposits from overseas central banks. An analysis of the Bank's assets and liabilities by geographical area, based upon the location of the counterparty, is given below:

	2025 (£mn)	2024 (£mn)
Assets		
United Kingdom	834,718	925,991
Rest of Europe	23,071	9,571
Rest of the world	10,789	7,723
Total assets	**868,578**	**943,285**

	2025 (£mn)	2024 (£mn)
Liabilities and equity		
United Kingdom	836,137	926,496
Rest of Europe	11,571	3,950
Rest of the world	20,870	12,839
Total liabilities and equity	**868,578**	**943,285**

b: Market risk

Market risk is defined as the risk of losses arising from movements in market prices. The risks which give rise to market risk include, but are not limited to, interest rate risk and foreign exchange risk. The Bank is exposed to market risk as a consequence of its operations to deliver its policy objectives and, in the course of managing the Bank's balance sheet, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Exposure may also be incurred due to changes in exchange rates and to changes in the liquidity of asset markets.

Market risk on the Bank's balance sheet is controlled by a system of limits and monitoring thresholds based on stress testing. Limits and monitoring thresholds control the maximum mark-to-market loss that the Bank could sustain under severe scenarios. The scenarios capture the key market risks that the Bank is exposed to: interest rate risks (including basis risks) and foreign exchange risk.

Interest rate risk

The Bank is exposed to sterling interest rate risk through the legacy investment of the Bank's capital and Cash Ratio Deposits in high-quality securities in the sterling bond portfolio. These are bought and, in normal circumstances, held to maturity with the intention of maintaining the value of the Bank's capital. The Bank monitors the market risk on the Sterling Bond Portfolio, via stress testing.

The Bank also has exposure to foreign currency interest rate risk through its foreign currency operations.

Foreign exchange risk

The majority of the foreign currency exposures are hedged for interest rate risk and foreign exchange risk to match the Bank's foreign exchange liabilities, mainly through the use of foreign exchange contracts, interest rate and cross-currency swaps. The Bank has no significant net foreign currency exposures.

c: Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

For sterling, liquidity risk does not arise as the Bank is able to create sterling liquidity through its market operations.

For foreign currency, in addition to holding appropriate cash balances, the Bank manages liquidity through cash-flow matching and the use of forward exchange contracts and currency swaps; the Bank also holds a portfolio of liquid foreign exchange reserves.

The Bank's Balance Sheet Remit, Financial Risk Standards and supporting policies specify parameters to control exposure to foreign currency liquidity risk. These include limits on cash flow and maturity mismatches, and for bond holdings, minimum issue size and concentration limits.

The following tables analyse the Bank's foreign currency financial assets and liabilities at the balance sheet dates into relevant maturity groupings based on the remaining period to the contractual maturity date. These cash flows have not been discounted.

Foreign currency liquidity risk

	Up to 1 month (£mn)	1–3 months (£mn)	3–12 months (£mn)	1–5 years (£mn)	Over 5 years (£mn)	Total (£mn)
As at 28 February 2025						
Assets						
Cash and balances with other central banks	1,065	–	–	–	–	1,065
Loans and advances to banks and other financial institutions	10,164	2,741	249	–	–	13,154
Securities held at fair value through profit and loss	1,494	2,275	6,522	4,272	–	14,563
Derivative financial instruments:						
Cash inflow	2,320	1,626	2,870	1,045	–	7,861
Cash outflow	(2,253)	(1,566)	(2,764)	(1,024)	–	(7,607)
Other assets	–	–	–	–	–	–
Total assets	**12,790**	**5,076**	**6,877**	**4,293**	**–**	**29,036**
Liabilities						
Deposits from central banks	7,196	3,411	1,735	–	–	12,342
Deposits from banks and other financial institutions	422	–	289	–	–	711
Other deposits	87	–	–	–	–	87
Foreign currency commercial paper in issue	2,922	2,181	4,001	–	–	9,104
Foreign currency bonds in issue	1,588	–	–	4,964	–	6,552
Derivative financial instruments:						
Cash inflow	(8,310)	(3,488)	(1,801)	(1,783)	–	(15,382)
Cash outflow	8,241	3,687	1,840	1,692	–	15,460
Financial instruments at fair value through profit or loss	35	80	–	–	–	115
Other liabilities	–	–	–	–	–	–
Total liabilities	**12,181**	**5,871**	**6,064**	**4,873**	**–**	**28,989**
Net liquidity gap	**609**	**(795)**	**813**	**(580)**	**–**	**47**
Cumulative gap	**609**	**(186)**	**627**	**47**	**47**	**–**

Foreign currency liquidity risk

	Up to 1 month (£mn)	1–3 months (£mn)	3–12 months (£mn)	1–5 years (£mn)	Over 5 years (£mn)	Total (£mn)
As at 29 February 2024						
Assets						
Cash and balances with other central banks	1,116	–	–	–	–	1,116
Loans and advances to banks and other financial institutions	4,351	3,965	3,457	–	–	11,773
Securities held at fair value through profit and loss	812	1,014	1,061	4,233	–	7,120
Derivative financial instruments:						
Cash inflow	2,177	1,793	1,727	778	–	6,475
Cash outflow	(2,149)	(1,776)	(1,708)	(780)	–	(6,413)
Other assets	–	–	–	–	–	–
Total assets	**6,307**	**4,996**	**4,537**	**4,231**	**–**	**20,071**
Liabilities						
Deposits from central banks	2,072	2,491	3,143	–	–	7,706
Deposits from banks and other financial institutions	–	331	–	–	–	331
Other deposits	129	–	–	–	–	129
Foreign currency commercial paper in issue	2,528	1,841	1,565	–	–	5,934
Foreign currency bonds in issue	1,581	–	–	4,743	–	6,324
Derivative financial instruments:						
Cash inflow	(3,979)	(1,196)	(1,387)	(2,020)	–	(8,582)
Cash outflow	3,754	1,314	1,439	1,690	–	8,197
Other liabilities	–	–	–	–	–	–
Total liabilities	**6,085**	**4,781**	**4,760**	**4,413**	**–**	**20,039**
Net liquidity gap	**222**	**215**	**(223)**	**(182)**	**–**	**32**
Cumulative gap	**222**	**437**	**214**	**32**	**32**	**–**

d: Fair value of financial assets and liabilities

The table below shows the financial instruments carried at fair value by valuation method:

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
As at 28 February 2025					
Assets					
Loans and advances to banks and other financial institutions	8	–	13,136	–	13,136
Securities held at fair value through profit or loss	13	12,049	2,318	–	14,367
Derivative financial instruments	20	–	594	–	594
Unlisted equity investments at fair value	17	–	–	1,698	1,698
Total assets		**12,049**	**16,048**	**1,698**	**29,795**
Liabilities					
Deposits from central banks	10	–	12,884	–	12,884
Deposits from banks and other financial institutions	11	–	699	–	699
Foreign currency commercial paper in issue	14	–	9,006	–	9,006
Foreign currency bonds in issue	15	6,666	–	–	6,666
Derivative financial instruments	20	–	94	–	94
Total liabilities		**6,666**	**22,683**	**–**	**29,349**

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
As at 29 February 2024					
Assets					
Loans and advances to banks and other financial institutions	8	–	11,688	–	11,688
Securities held at fair value through profit or loss	13	6,259	490	–	6,749
Derivative financial instruments	20	–	575	–	575
Unlisted equity investments at fair value	17	–	–	1,528	1,528
Total assets		**6,259**	**12,753**	**1,528**	**20,540**
Liabilities					
Deposits from central banks	10	–	8,024	–	8,024
Deposits from banks and other financial institutions	11	–	326	–	326
Foreign currency commercial paper in issue	14	–	5,882	–	5,882
Foreign currency bonds in issue	15	6,324	–	–	6,324
Derivative financial instruments	20	–	37	–	37
Total liabilities		**6,324**	**14,269**	**–**	**20,593**

There have been no transfers between levels in the year.

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques that rely upon relevant observable market data. This category of instruments comprises certain bonds, derivatives, repurchase transactions, commercial paper and deposits.

Level 3: Valued using techniques where at least one input that could have a significant impact on the valuation is not based on observable market data. During the year this category consisted entirely of unlisted equity investments, primarily the Bank's investment in the Bank for International Settlements (note 17).

The fair values of financial liabilities classified as deposits at amortised cost approximate to their carrying values due to their short-term nature. All these financial liabilities would be classified as Level 2.

22: Cash and cash equivalents

Analysis of cash balances

	Note	At 1 March 2024 (£mn)	Cash flows (£mn)	At 28 February 2025 (£mn)
Cash and balances with other central banks	7	1,116	(51)	1,065
Loans and advances to banks and other financial institutions	8	5,081	5,182	10,263
Securities held at fair value through profit and loss	13	357	(304)	53
		6,554	**4,827**	**11,381**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity less than or equal to 92 days from the date of acquisition, consisting of cash and balances with other central banks, loans and advances to banks and other financial institutions, amounts due from banks and short-term government securities.

23: Contingent liabilities and commitments

Accounting policies

Contingent liabilities

Contingent liabilities and commitments, some of which are offset by corresponding obligations of third parties, may arise in the normal course of business, including contingent liabilities in respect of guarantees and indemnities in connection with liquidity support operations. As part of its normal business, the Bank acts as custodian of its customers' assets and fulfils an agency role. The Bank has no liability to recognise or contingent liability to disclose in accordance with the requirements of IAS 37 in respect of these transactions.

Capital commitments

Capital commitments outstanding at 28 February 2025 amounted to £15mn (2024: £10mn), relating primarily to the provision of service agreements and plant in building purchases.

Contingent capital commitments outstanding at 28 February 2025 amounted to £0.1mn (2024: £0.2mn), relating primarily to a central bank sterling account.

Guarantees

The Bank has provided a guarantee for the principal value of deposits placed by participating banks with BEALF. As at 28 February 2025 deposits with a value of £200mn were guaranteed (2024: £200mn).

24: Investments in subsidiaries

The Bank has a number of subsidiaries, which are wholly owned and incorporated in the United Kingdom, that are stated in the Bank's balance sheet at an aggregate cost under £1mn. These are:

- The Securities Management Trust Ltd 1,000 ordinary shares of £1, principal activity is that of a nominee company.
- Bank of England Asset Purchase Facility Fund Ltd 100 ordinary shares of £1, principal activity is to fulfil the remit given to the Bank by the Chancellor and for monetary policy.
- Bank of England Alternative Liquidity Facility Ltd 100 ordinary shares of £1, principal activity is to offer a non-interest based deposit facility backed by the central bank to commercial banks that cannot pay or receive interest.
- BE Pension Fund Trustees Ltd 2 ordinary shares of £1, principal activity is that of provision of trustee services to the Bank of England Pension Fund.

The registered office for all subsidiaries is 8 Lothbury, London, EC2R 7HH.

Section 5: People and related parties

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other related parties.

25: Staff costs

Accounting policies

Short-term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered to the Bank. The Bank recognises the amount of short-term employee benefits expected to be paid as expenses or as a liability (accrued expense), after deducting any amount already paid.

	2025 (£mn)	2024 (£mn)
Wages and salaries	452	395
Social security costs	52	47
Pension and other post-retirement costs	41	32
Costs of restructuring	2	–
	547	**474**

Average number of employees

The average number of persons employed by the Bank during the year was made up as follows:

	2025	2024
Governors and other members of Executive Team	30	27
Managers and analysts	4,490	4,167
Other staff	1,211	1,198
	5,731	**5,392**

The number of persons employed by the Bank at the end of February 2025 was 5,810, of which 5,047 were full-time and 763 part-time (2024: 5,627; of which 4,877 were full-time and 750 part-time). This staff numbers relate to the costs disclosed in this note.

26: Retirement benefits

i: Funded pension scheme

The Bank operates a non-contributory defined-benefit pension scheme providing benefits based on career average pensionable pay. The Bank has a final salary section within the pension scheme that provides pensions based on members' pensionable service and final salary at retirement. The pension is payable for life and increases in payment in line with inflation. This section of the scheme ceased to accrue benefits on a final salary basis from 1 April 2015. Former members of this section can continue to accrue benefits in the career average revalued earnings (CARE) section.

For new employees, the Bank offers a CARE section of the pension scheme that provides pensions based on members' earnings each year revalued in line with inflation up to retirement. The pension is payable for life and increases in payment in line with inflation.

Defined-benefit and career average

The assets of the scheme are held by the Bank in an independent trustee-administered fund. The Bank also provides other post-retirement benefits, principally healthcare, for certain pensioners.

The pension scheme is a HM Revenue and Customs (HMRC) registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in relevant sections of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has appointed trustees who are independent of the Bank. Although the Bank bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustees, who have a duty to act in the best interest of members at all times.

Valuation for funding purposes

The main pension scheme, the Bank of England Pension Fund, is valued for funding purposes at intervals of not more than three years by an independent qualified actuary, with interim reviews in the intervening years. The latest valuation for funding purposes was as at 28 February 2023; it used the Defined Accrued Benefit Method but with an adjustment to help smooth the annual contributions over the subsequent three years. Under the Defined Accrued Benefit Method, active members are assumed to leave the Fund on the date of the valuation and hence the past service liability does not include an allowance for any salary increases or in-service CARE revaluation after that date.

Instead members' benefits are assumed to increase in line with the deferred pension revaluation assumptions. However, the Fund's Trustees and the Bank agreed an adjustment to the past service liabilities to allow for three years' of future in-service increases in the liabilities, which means that the cost of uplifting past service liabilities with actual in-service increases is not part of the annual contribution rate.

	£mn
The valuation as at 28 February 2023	
Value of Fund assets	3,364
Actuarial value of scheme liabilities in respect of:	
In-service members	(716)
Deferred pensioners	(564)
Current pensioners and dependants	(1,681)
GMP equalisation reserve	(9)
RPI consultation reserve	–
Members' additional voluntary contributions	(1)
Total	**(2,971)**
Scheme surplus	**393**
Funding level	**113%**
Service contribution rate for March(1)	**26.20%**

(1) During the year a revised Schedule of Contributions was agreed that introduced a further adjustment to contributions; an additional reduction of up to £32m over 2025 and 2026. The contribution for 2025 was nil.

For the 2023 valuation, the liabilities were valued by the actuary using a discount rate based on the RPI assumption plus the index-linked gilt yield curve plus 0.3% per annum, which is a prudent assessment of the returns expected to be achieved by the Fund's investment strategy. Allowance was made for past and prospective mortality improvements. The rate of RPI inflation used in the valuation is based on the Bank's long term CPI assumption of 2.0% per annum plus an allowance for the assumed difference between CPI and RPI (1.0% per annum pre-2030 and 0.0% per annum post-2030).

As the scheme was in surplus as at the valuation date, no deficit reduction contributions are currently required to be paid into the scheme. Expected future contributions are only in respect of meeting the cost of future benefit accrual.

Excluded from the contribution rate is the cost of administration and other services which is met by the Bank.

Summary of amounts recognised in the financial statements under IAS 19

In the statutory financial statements the Bank accounts for pension costs, other post-retirement benefits and related redundancy provisions in accordance with IAS 19 (Employee Benefits). Under the standard, the difference between the market values of scheme assets and the present value of scheme liabilities is reported as a surplus or deficit in the balance sheet. The accounting value is different from the result obtained using the funding basis.

The accounts show a significantly greater surplus than the surplus in the scheme funding valuation. The main reason for this is the different assumptions used to value the liabilities in the accounting and funding valuations for the main scheme.

The scheme funding valuation assumptions are used to determine the contributions that the Bank is required to pay into the scheme to ensure that the scheme has sufficient assets to pay all the benefits due in future. Regulations require that the scheme funding assumptions are set conservatively and take account of the scheme's investment strategy. As the scheme's assets are invested primarily in gilts, bonds and other liability-matching assets, the discount rate used to value the liabilities is set based on gilt yields plus a small outperformance allowance of 0.3% per annum.

In addition, the mortality assumption is set based on prudent principles. These assumptions place a relatively high value on the scheme's liabilities.

By contrast, accounting regulations require all companies to value their pension scheme liabilities on 'best estimate' assumptions, and to use a discount rate that is based on high-quality corporate bond yields. As corporate bond yields are generally higher than gilt yields, this approach places a lower value on pension scheme liabilities. The use of a best estimate mortality assumption for accounting purposes also reduces the value placed on the liabilities compared to the prudent scheme funding valuation.

ii: Redundancy provisions

As part of redundancy arrangements with staff in place until 5 April 2010, the Bank could give enhanced pension entitlement in the form of added years' service or early pension rights. The costs of such benefits cannot be charged to the Pension Fund. The costs are therefore borne in the Bank's accounts, and represent the future cost of decisions that have already been taken. Provision was made for the costs of these benefits at the time the redundancy offer was announced based on actuarial advice. No further similar entitlements will be given by the Bank.

The valuation of these provisions has been performed using the relevant assumptions applied for the IAS 19 valuation of pension schemes and updated annually.

iii: Other pension schemes

Previously, for Governors subject to the pensions earnings cap introduced in the Finance Act 1989, the Bank offered additional unfunded pensions so that their total pensions broadly match what would have been provided by the former Court Pension Scheme in the absence of a cap. Provision is made for these in the Bank's accounts. In addition certain former Governors and Directors and the widows of some former Governors and Directors were granted ex-gratia pensions. Provision for these was made in the Bank's accounts when the grants were made.

The valuation of these schemes has been performed by using the relevant assumptions applied for the IAS 19 valuation of pension schemes and updated annually.

iv: Medical scheme

Some current and former staff are entitled to receive healthcare benefits in retirement. Separate provision is made for these in the Bank's accounts as these cannot be paid out of the pension scheme. The defined-benefit liability is the expected cost to the Bank of the claims expected to be incurred by the eligible members once in retirement.

Accounting policies

In the preparation of their valuations under IAS 19 referred to in this note, the actuary has used the assumptions indicated below, which members of Court have accepted for the purposes of accounting and disclosure under the standard.

Recognition of scheme assets

The assets of the scheme are held by the Bank in an independent trustee-administered fund. The asset recognised in the balance sheet in respect of the defined-benefit pension scheme is the fair value of the scheme's assets less the present value of the defined-benefit obligation at the balance sheet date.

Recognition of scheme liabilities

The defined-benefit obligation is calculated annually by an independent actuary using the projected unit method. The present value of the defined-benefit obligation is determined by discounting the estimated cash outflows using a discount rate based on high-quality sterling corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Recognition of remeasurements

Remeasurements on retirement benefits comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what actually occurred), as well as the effects of changes in actuarial assumptions. Remeasurements on retirement benefits are recognised immediately in equity and reflected in other comprehensive income. Current and past service costs are recognised immediately in the income statement. Any net defined-benefit surplus is limited to the benefit that is available to the Bank.

The Bank also provides other post-retirement benefits, principally related to redundancy provisions and healthcare for certain pensioners, which are accounted for on a similar basis to the accounting for pension obligations.

Recognition of the net pension surplus

The Bank has recognised the net surplus in full on the balance sheet as it can realise any surplus on the winding up of the scheme after all other benefits have been paid in full in accordance with the Fund's rules. The Trustee does not have any unilateral powers which would prevent this and the rules can only be amended by agreement between the Bank and the Trustee.

Amounts recognised as assets/(liabilities) in the balance sheet

	Note	2025 (£mn)	2024 (£mn)
Funded pension schemes	(i)	734	771
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	(45)	(48)
Other pension schemes	(iii)	(6)	(7)
Medical scheme	(iv)	(69)	(74)
Unfunded post-retirement benefits		**(120)**	**(129)**
		614	**642**

Pension expense recognised in the income statement

	Note	2025 (£mn)	2024 (£mn)
Funded pension schemes	(i)	29	22
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	2	2
Other pension schemes	(iii)	–	–
Medical scheme	(iv)	3	3
		34	**27**

Remeasurements recognised in the statement of comprehensive income

	Note	2025 (£mn)	2024 (£mn)
Funded pension schemes	(i)	(30)	(82)
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	2	–
Other pension schemes	(iii)	–	–
Medical scheme	(iv)	2	–
		(26)	**(82)**

Risks

The main risks to which the Bank is exposed in relation to the funded pension scheme are:

- Mortality risk – the assumptions adopted by the Bank make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Fund and consequently increases in the scheme's liabilities. The Bank and the Trustee review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption;

- Investment risk – the Fund invests the majority of its assets in a portfolio of UK Government bonds as the changes in the value of the bonds more closely match the movements in the Fund's liabilities. There are risks with the selected portfolios such that it does not match the liabilities closely enough, or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimise these risks; and

- Inflation risk – the majority of the scheme's liabilities increase in line with inflation; and so if inflation is greater than expected, the liabilities will increase. The scheme's investment strategy contains RPI and CPI linked liabilities and the Fund is hedged with RPI-linked assets, so this risk is mostly mitigated.

The redundancy provision and other pension schemes are primarily exposed to the mortality and inflation risks above. As they are not backed by any assets, these risks cannot be so easily managed. However, these arrangements (and therefore the risks associated with them) are small in comparison to the funded pension scheme.

The two main risks to which the Bank is exposed in relation to the medical scheme are mortality risk, as described above, and increases in the costs incurred being greater than assumed, either due to inflation of future medical costs or the frequency of members' claims.

Components of pension expense in the income statement

	2025			2024		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Current service cost	61	–	–	56	–	–
Past service cost	–	–	–	–	–	–
Net interest (income)/expense on the net defined liability/asset	(32)	2	3	(34)	2	3
Total pension expense	**29**	**2**	**3**	**22**	**2**	**3**

Remeasurements recognised in other comprehensive income

	2025			2024		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Remeasurements recognised at the beginning of the period	(212)	(21)	35	(130)	(21)	35
Actuarial gains arising from changes in demographic assumptions	10		1	17	1	1
Actuarial gains arising from changes in financial assumptions	218	3	4	95	1	–
Actuarial losses arising from experience on the scheme's liabilities	(47)	(1)	(3)	(36)	(2)	(1)
Losses on scheme's assets excluding interest income	(210)	–	–	(158)	–	–
Remeasurements recognised at the end of the period	**(241)**	**(19)**	**37**	**(212)**	**(21)**	**35**

Reconciliation of present value of defined-benefit obligation

	2025			2024		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Present value of defined-benefit obligation at the beginning of the period	2,608	55	74	2,645	57	76
Current service cost	61	–	–	56	–	–
Past service cost	–	–	–	–	–	–
Interest expense	112	2	3	111	2	4
Actuarial gains arising from changes in demographic assumptions	(10)	–	(1)	(17)	(1)	(1)
Actuarial gains arising from changes in financial assumptions	(218)	(3)	(4)	(95)	(1)	(1)
Actuarial losses arising from experience on the scheme's liabilities	47	1	3	36	2	1
Benefits paid out	(129)	(5)	(6)	(128)	(4)	(5)
Present value of defined obligation at the end of the period[(1)]	**2,471**	**50**	**69**	**2,608**	**55**	**74**

(1) During 2024, the Court of Appeal upheld the initial High Court ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others), calling into question the validity of rule amendments made to contracted out defined benefit pension schemes between 1997 and 2016. Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the rule amendment would be void. In 2025, a selection of amendments made to the Bank's scheme from the relevant period judged as material were reviewed by the Bank. The review indicated the risk of a material change in the defined benefit obligation (DBO) was remote, so no adjustment has been made to the DBO value disclosed.

During the reporting period there have been no plan amendments, curtailments or settlements.

Reconciliation of the fair value of assets

	2025			2024		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Fair value of scheme's assets at the beginning of the period	3,379	–	–	3,364	–	–
Interest income	143	–	–	146	–	–
(Losses)/return on scheme's assets excluding interest income	(210)	–	–	(158)	–	–
Bank contributions	22	5	6	155	4	5
Benefits paid out	(129)	(5)	(6)	(128)	(4)	(5)
Fair value of scheme's assets at the end of the period	**3,205**	**–**	**–**	**3,379**	**–**	**–**

Summary of significant assumptions

Under IAS 19 measurement of scheme liabilities must be calculated under the projected unit method, which requires certain demographic and financial assumptions, including an assumption about future salary growth. The assumptions used are applied for the purposes of IAS 19 only.

The significant financial and other assumptions used by the independent actuary to calculate scheme liabilities over the life of the scheme on an IAS 19 basis were:

	2025 (%)	2024 (%)
Discount rate	4.8	4.3
CPI inflation	2.0	2.0
Rate of increase in salaries	3.0	3.0
Rate of increase of pensions in payment[(1)]	2.1	2.2
Rate of increase for deferred pensioners[(1)]	2.3	2.4

(1) This represents a weighted average of RPI and CPI, which are the indices used in the scheme.

Key points to note in the calculation of scheme liabilities

- The discount rate assumption reflects the investment return on a high-quality corporate bond at the balance sheet date, as required by the standard.
- Future CPI assumption is assumed to be 2.0% per annum, in line with the Bank's long-term target.
- RPI inflation assumption is assumed to be 1.0% per annum higher than CPI inflation before 2030 and in line with RPI inflation from 2030 onwards. The same assumption was also used for the 2024 disclosures.
- The assumption on salary growth is for the long term over the life of the scheme.
- An age-related promotional scale has been applied in addition to the salary increase assumption above.
- The assumption for life expectancy for the scheme assumes that a male member reaching 60 in 2025 will live for 27 years (2024: 27.1 years) and a female member 28.9 years (2024: 28.9 years), and a male member reaching 60 in 2045 will live for 29 years (2024: 29.1 years) and a female member 30.4 years (2024: 30.4 years).
- The Bank has adopted the latest available mortality projections model, which reduces the scheme's liabilities as a result of recent improvements in mortality being slightly lower than previously assumed.
- As per the 2024 disclosures, allowance has been made for the impact of Covid-19 on life expectancies taking account of the impact of the pandemic and the characteristics of the scheme's membership. This has been allowed for via the weight placed on the allowance for deaths experience in recent years as a factor in determining future life expectancy assumptions.
- The overall effect of the changes to the mortality assumptions has been to slightly decrease the value of the liabilities.

Investments

The pension fund investment strategy aims to provide a high degree of certainty in the financial position of the Fund and its ability to meet its liabilities under a wide range of future economic and financial conditions, and to improve the strength of funding over time in a measured and proportionate way through long-term investment returns above gilts.

The assets in the scheme were:

		2025				2024			
		Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
Bonds[1]	Quoted	1,753	721	–	2,474	1,729	773	–	2,502
	Unquoted	–	429	–	429	–	430	–	430
Pooled investment vehicles	Quoted	–	–	–	–	–	–	–	–
	Unquoted	24	-	433	457	34	–	439	473
Derivatives	Quoted	(1)	–	–	(1)	(1)	–	–	(1)
	Unquoted	–	107	–	107	–	90	–	90
Additional Voluntary Contributions (AVC) investments	Quoted	–	–	–	–	–	–	–	–
	Unquoted	–	–	1	1	–	–	1	1
Other investment balances[2]	Quoted	15	3	–	18	13	3	–	16
	Unquoted	15	(96)	–	(81)	20	(136)	–	(116)
Amounts payable under repurchase agreements	Quoted	–	–	–	–	–	–	–	–
	Unquoted	–	(217)	–	(217)	–	(55)	–	(55)
Total net investments at fair value		**1,806**	**947**	**434**	**3,187**	**1,795**	**1,105**	**440**	**3,340**
Current assets	Unquoted	19	–	–	19	40	–	–	40
Current liabilities	Unquoted	(1)	–	–	(1)	(1)	–	–	(1)
Net assets of the Fund		**1,824**	**947**	**434**	**3,205**	**1,834**	**1,105**	**440**	**3,379**

(1) ‘Bonds’ balances have been adjusted to exclude accrued interest. The accrued interest on bonds is included in ‘Other investment balances’.

(2) ‘Other investment balances’ comprise investment cash, derivative margin balances, items in the course of settlement and collection and accrued interest in respect of both bond investments and repurchase agreements.

For the purposes of IAS 19, the asset values stated are at the balance sheet date. Market values of the scheme's assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised.

The fair value of financial instruments has been determined using the following fair value hierarchy:

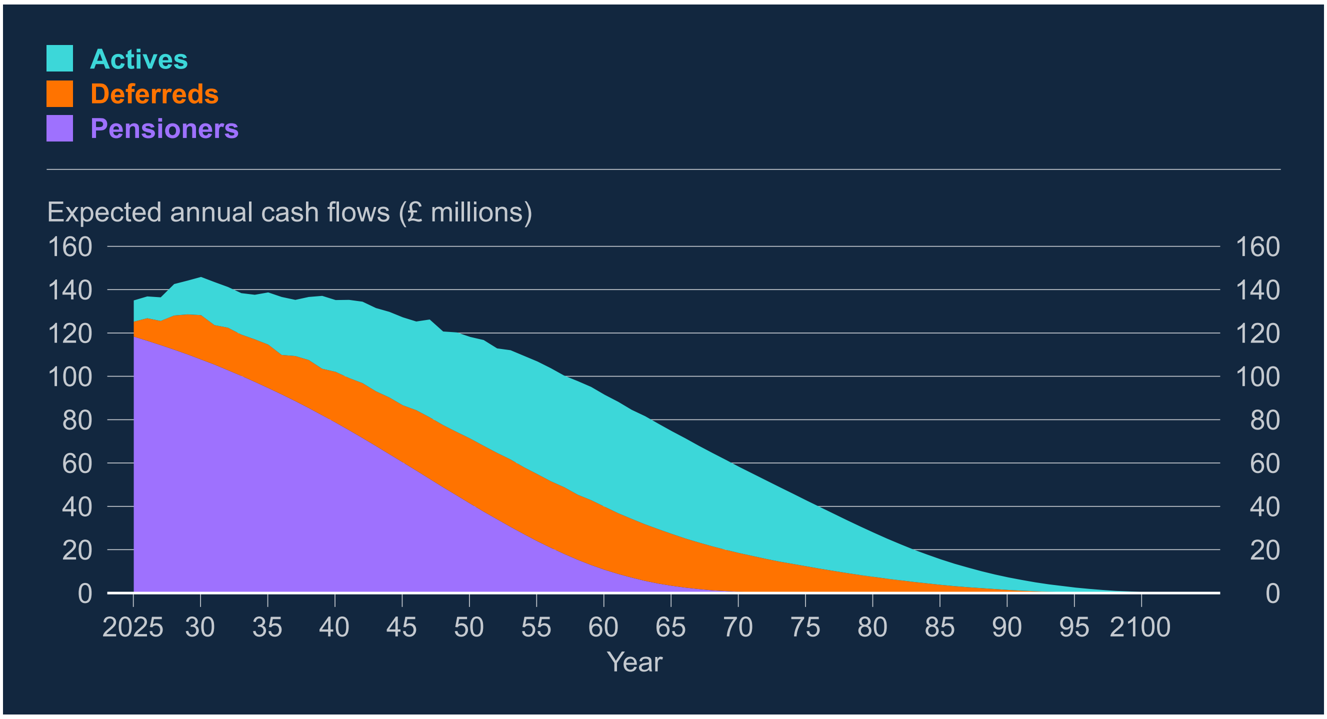
- Level 1 – were valued using an unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – were valued using inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) either directly or indirectly.
- Level 3 – where inputs were unobservable (ie for which market data is unavailable).

Main scheme

	2025 (£mn)	2024 (£mn)
Present value of defined-benefit obligations:		
Active members	(594)	(617)
Deferred members	(417)	(474)
Pensioners	(1,455)	(1,511)
GMP equalisation reserve	(5)	(6)
Total present value of defined-benefit obligations	**(2,471)**	**(2,608)**
Assets at fair value	3,205	3,379
Defined-benefit asset	**734**	**771**

The Bank has recognised the net surplus in full on the balance sheet as it can realise any surplus on the winding up of the scheme after all other benefits have been paid in full in accordance with the scheme's rules, which can only be amended with agreement between the Bank and the Trustees.

The duration of the pension scheme liabilities is in the region of 14 years. The expected future monthly cash flows from the scheme (based only on benefits built up by 28 February 2025) are shown in the chart below.



Sensitivity analysis

	2025 (£mn)	2024 (£mn)
A percentage change to the discount rate would increase/(decrease) the present value of defined-benefit obligations for the pension scheme by:		
+0.1%	(34)	(40)
-0.1%	34	40
+0.25%	(82)	(90)
-0.25%	87	100
+1.0%	(301)	(335)
-1.0%	384	435
A percentage change to the assumed difference between CPI and RPI inflation would increase/(decrease) the present value of defined-benefit obligations for the pension scheme by:		
+0.1%	21	25
-0.1%	(21)	(25)
+0.25%	53	65
-0.25%	(51)	(60)
+1.0%	228	280
-1.0%	(182)	(220)

A +0.5% change to the assumed rate of increases in salaries would increase the present value of defined benefit obligations for the pension scheme by £9mn (2024: £10mn). A -0.5% change to the assumed rate of increases in salaries would decrease the present value of defined benefit obligations for the pension scheme by £9mn (2024: £10mn).

If mortality rates were adjusted such that individuals were assumed to live for an additional year, the scheme's liabilities at the year end would increase by approximately £72mn (2024: £79mn).

The Bank paid contributions of £22mn during the year (2024: £155mn). In light of the surplus in the Fund, and in agreement with the Trustees, the Bank made no contribution in respect of the upcoming year from March 2025 to February 2026.

Redundancy provisions

	2025 (£mn)	2024 (£mn)
Unfunded defined-benefit liability	**(45)**	**(48)**

More details regarding the composition and valuation of redundancy provisions are provided on pages 165–66.

The Bank expects to make payments of £4mn in the forthcoming year (2024: £4mn).

Other pension schemes

	2025 (£mn)	2024 (£mn)
Unfunded defined-benefit liability	**(6)**	**(7)**

More details regarding the composition and valuation of other pension schemes are provided on page 166.

The Bank expects to make payments of less than £1mn in the forthcoming year (2024: less than £1mn).

During the year to 28 February 2025 the Bank incurred service costs of less than £1mn (2024: less than £1mn).

Medical scheme

Some staff are entitled to receive healthcare benefits in retirement. Separate provision is made for these in the Bank's accounts as these cannot be paid out of the Pension Fund.

Summary of significant assumptions

The discount rates used for the purposes of measuring post-retirement medical benefit liabilities are the same as used in the IAS 19 valuation of pension scheme liabilities (see Summary of significant assumptions on page 172). The level at which claims are assumed to arise on average has been taken in line with that used for the 2024 disclosures. For accounting purposes the following assumptions have been made in respect of medical expense inflation:

	2025 (%)	2024 (%)
Initial medical trend	5.0	5.0
Ultimate medical trend	5.0	5.0
Years to ultimate	**–**	**–**

Post-retirement benefits – medical

	2025 (£mn)	2024 (£mn)
Unfunded defined-benefit liability	**(69)**	**(74)**

Sensitivity analysis provided by the actuary indicates that 0.1% decrease in the discount rate would change the deficit on the post-retirement medical benefits by £1mn (2024: £1mn) and a 1% increase in the rate of medical claims by £9mn (2024: £10mn). If the mortality rates were adjusted such that individuals were assumed to live for an additional year, the post-retirement medical liabilities at the year end would increase by approximately £4mn (2024: £4mn).

The Bank expects to pay premiums of £6mn in the forthcoming year (2024: £6mn).

27: Related parties

Transactions with those commercial banks which are related parties but not wholly owned by HM Treasury have not been disclosed as the Bank does not believe such disclosures to be necessary having regard to its financial stability objective.

a: HM Government

The Bank provides a range of activities to its shareholder, HM Treasury, and to other Government departments and bodies:

- provision of banking services, including holding the principal accounts of Government;
- management of the Exchange Equalisation Account (EEA); and
- management of the note issue.

The Bank also engaged in transactions with the Financial Services Compensation Scheme and other related parties.

The aggregate balances on HM Treasury and other public sector accounts are disclosed in note 12 as public deposits. The total charges made to HM Government totalled £74mn (2024: £86mn) as disclosed in note 5a. The breakdown is as follows:

- services provided to the EEA of £16mn (2024: £13mn);
- Issue Department £57mn (2024: £72mn);
- banking services to HM Government £1mn (2024: £1mn).

Debt Management Office and Debt Management Account

The Bank has entered into agreements with the Debt Management Account (DMA) through the DMO whereby the DMA lends UK government securities to the Bank with the simultaneous agreement that the Bank would deliver equivalent securities to the DMA on termination of those agreements.

The DMA placed interest-bearing deposits with the Bank during the year, which are included within note 12 as public deposits. The interest paid in respect of DMO deposits was £260mn in 2025 (2024: £246mn).

HM Treasury

HM Treasury continued to indemnify the activities of the BEAPFF.

The net profits/losses of the Issue Department are referred to as seigniorage, and paid/claimed directly to/from HM Treasury via the National Loans Fund. The total net seigniorage income paid to the National Loans Fund in respect of the year ended 28 February 2025 was £4,438mn (2024: £4,256mn).

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms set up under the Financial Services and Markets Act 2000 (FSMA). The FSCS is independent from the Prudential Regulation Authority and Financial Conduct Authority, although accountable to them and ultimately to HM Treasury.

The FSCS placed interest-bearing deposits with the Bank during the year, which are included within note 12 as public deposits.

Financial Conduct Authority

The Financial Conduct Authority (FCA) charges the Bank an administration fee relating to the invoicing and collection of fee and other income from PRA levy payers. Charges for this service totalled £145,000 in the year (2024: £125,000). The Bank is also charged for the shared use of some FCA software applications to support regulation. The total charge for this service was £5.7mn (2024: £5.7mn).

b: Subsidiaries

Full details of the subsidiaries of the Bank are disclosed in note 24.

Bank of England Asset Purchase Facility Fund Ltd (BEAPFF)

BEAPFF is a wholly owned subsidiary of the Bank. It was established on 30 January 2009 in order to fulfil the remit of the Chancellor given to the Bank on 19 January 2009. This remit was subsequently expanded to enable the Company's operations to be used as a monetary policy tool at the request of the Monetary Policy Committee of the Bank.

BEAPFF operations are fully indemnified for loss by HM Treasury and any surplus for these operations is due to HM Treasury.

At 28 February 2025 the loan from the Bank to BEAPFF was £654.5bn (2024: £744.3bn). Interest on this loan is receivable at Bank Rate and amounted to £35bn for the year ending 28 February 2025 (2024: £39.2bn).

At the year end BEAPFF held a deposit at the Bank of £13.3bn (2024: £15.7bn), which is included in other deposits (note 12). Interest on this deposit is payable at Bank Rate and totalled £1.1bn for the year ending 28 February 2025 (2024: £1.1bn).

A management fee payable by BEAPFF to the Bank in respect of the year ended 28 February 2025 is £1.8mn (2024: £2.8mn). This is in line with the arrangements agreed between the Bank and HM Treasury.

Bank of England Alternative Liquidity Facility Ltd (BEALF)

BEALF is a wholly owned subsidiary of the Bank. BEALF was incorporated on 14 December 2018. The principal activity of BEALF is to offer a non-interest based deposit facility backed by the Bank to commercial banks that cannot pay or receive interest. It houses a deposit facility to allow UK banks to hold sterling deposits at the Bank in a similar way to conventional banks under the Bank's Sterling Money Framework. Relatedly, the deposit capacity of the BEALF is limited to the size of the backing fund, which may be reviewed from time to time.

At 28 February 2025 the loan from the Bank to BEALF was £nil (2024: £nil). During the year the Bank received income of £110,887 (2024: £446,743) from acting as a co-depositor.

At the year end BEALF held a non-interest bearing deposit at the Bank of £20.3mn (2024: £24.8mn).

The Bank has provided a guarantee for the principal value of deposits placed by participating banks with BEALF (see page 161).

A management fee payable by BEALF to the Bank in respect of the year ended 28 February 2025 is £192,117 (2024: £151,557). In addition, there is a project cost payable of £362,949 (2024: £725,897) to the Bank in respect of the cost incurred in the set-up of BEALF.

c: Key management personnel

The Governors and the Chief Operating Officer are indemnified by the Bank, granted in 2000 (see page 12).

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governors, members of the Executive Team and Non-executive Directors.

At 28 February 2025 the number of key management personnel was 42 (2024: 44).

The following table relates to loans between the Bank and key management personnel and persons connected with them:

	2025 (£000)	2024 (£000)
Loans		
Balance brought forward	1	13
Loans made during year	–	–
Loans repaid during year	(1)	(12)
	–	**1**
Interest income earned	–	–
Number of key management personnel with loans at 28 February	–	1

No expected credit losses have been recognised in respect of loans given to related parties (2024: nil) as the ECL amount is immaterial.

There were no other transactions that would be required to be shown under the provisions of the Companies Act 2006. None of the key management personnel had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with the Bank or any of its subsidiaries.

Key management remuneration

	2025 (£000)	2024 (£000)
Salaries and short-term benefits	8,937	8,584
Post-employment benefits	700	804
	9,637	**9,388**

Post-employment benefits have been estimated using an expected cost of pension on a funding valuation basis.

Full information on the remuneration (including pension arrangements) of the Members of Court is given in the Report of the Remuneration Committee on pages 78–86.

d: The Bank's pension scheme

The Bank provides the secretariat and some banking and custodial services to the Bank's funded pension scheme. In the year to 28 February 2025 no charge was made for these services (2024: nil). These activities are undertaken on behalf of, and under the supervision of, the Trustee of the Pension Fund. The contribution paid to the scheme during the year was £22mn (2024: £155mn). There were no other material transactions between the Bank and the pension scheme during the year to 28 February 2025. At 28 February 2025 the balances on accounts held with the Bank were £0.023mn (2024: £19mn).

e: Other entities with links to the Bank

In the normal course of its activities as a central bank, the Bank has relationships, involving some representation at management level and participation in funding, with international and domestic institutions. The Bank does not consider these institutions to be related parties.

Section 6: Operating assets and liabilities

This section analyses the operational assets utilised by the Bank in fulfilling its objectives and the related liabilities.

28: Payable to HM Treasury under Section 1(4) of the Bank of England Act 1946

The Bank of England Act 1946, as amended by the Bank of England Act 1998, requires the Bank to pay HM Treasury, in lieu of dividend on the Bank's capital, on 5 April and 5 October, a sum equal to a percentage of the Banking Department's post-tax profit for the previous financial year as agreed by the Bank and HM Treasury. The cash amount paid in 2025 was £nil (2024: nil). When the due date falls on a non-business day, the payments is made on the last business day before the due date. These payments have been accrued and charged to equity. The payments are deductible for corporation tax in the year which the payments relate.

	2025 (£mn)	2024 (£mn)
Payable 5 April 2025 (2024: 5 April)	–	–
Payable 5 October 2025 (2024: 5 October)	–	–
	–	**–**

Following agreement of the new capital framework[34] between the Bank and HM Treasury, the proportion of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters as outlined in section 2b of the newly agreed Financial relationship between HM Treasury and the Bank of England: memorandum of understanding. No dividend will be paid to HM Treasury for the financial year to 28 February 2025 as the Bank's loss-absorbing capital is below the £3.5bn threshold, in line with the capital framework.

34. **www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship**.

29: Property, plant and equipment

Accounting policies

i: Initial recognition

The amount capitalised at initial recognition is the purchase price of the asset along with any further costs incurred in bringing the asset to its present condition and location.

ii: Subsequent valuation

Subsequent costs are added to an asset's carrying amount, or are recognised as a separate asset as appropriate, only when it is probable that they will generate future economic benefits to the Bank and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Professional valuations of the Bank's freehold land and buildings are carried out each year with subsequent additions included at cost and provisions made for depreciation as explained below. Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the income statement, in which case the credit is to the income statement.

The figures for freehold land and buildings reflect independent professional valuations performed in accordance with the Royal Institution of Chartered Surveyors on a market-value basis as at 28 February 2025 by Newmark.

iii: Depreciation

Land is not depreciated. Depreciation on other property, plant and equipment is charged on a straight-line basis:

- Freehold buildings: over the estimated future lives which range from 10 to 75 years.
- Leasehold improvements: over the estimated remaining life of the lease.
- Plant within buildings: over periods ranging from 5 to 20 years.
- Lease right of use (ROU) assets: over the estimated remaining life of the lease.
- IT equipment: over periods ranging from 3 to 7 years.
- Other equipment: over periods ranging from 3 to 20 years.

The depreciable amount of a revalued asset is based on its revalued amount less any residual value. The revaluation surplus is not transferred to retained earnings until the asset's ultimate disposal.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

iv: Gain or losses on the disposal of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

	Freehold land and buildings (£mn)	Leasehold improvements (£mn)	Equipment (£mn)	Lease ROU assets (£mn)	Total (£mn)
For the period to 28 February 2025					
Cost or valuation					
At 1 March 2024	253	15	208	78	554
Additions	9	–	14	16	39
Disposals/write-offs	–	–	(11)	–	(11)
Revaluation of properties	(24)	–	–	–	(24)
At 28 February 2025	**238**	**15**	**211**	**94**	**558**
Accumulated depreciation					
At 1 March 2024	4	11	125	47	187
Charge for the period	4	1	21	10	36
Disposals/write-offs	–	–	(10)	–	(10)
Revaluation of properties	(3)	–	–	–	(3)
At 28 February 2025	**5**	**12**	**136**	**57**	**210**
Net book value at 1 March 2024	249	4	83	31	367
Net book value at 28 February 2025	**233**	**3**	**75**	**37**	**348**

Additions for the year includes accrued amounts of £25mn (2024: £3mn). The cash purchases for the year are £17mn (2024: £29mn).

	Freehold land and buildings (£mn)	Leasehold improvements (£mn)	Equipment[(1)] (£mn)	Lease ROU assets (£mn)	Total (£mn)
For the period to 29 February 2024					
Cost or valuation					
At 1 March 2023	255	15	200	78	548
Additions	15	–	12	–	27
Disposals/write-offs	–	–	(4)	–	(4)
Revaluation of properties	(17)	–	–	–	(17)
At 29 February 2024	**253**	**15**	**208**	**78**	**554**
Accumulated depreciation					
At 1 March 2023	3	10	107	37	157
Charge for the period	4	1	22	10	37
Disposals/write-offs	–	–	(4)	–	(4)
Revaluation of properties	(3)	–	–	–	(3)
At 29 February 2024	**4**	**11**	**125**	**47**	**187**
Net book value at 1 March 2023	252	5	93	41	391
Net book value at 29 February 2024	**249**	**4**	**83**	**31**	**367**

(1) Net book value of equipment at 29 February 2024 included £nil held under finance leases.

30: Intangible assets

Accounting policies

i: Initial recognition

Intangible assets mainly consist of computer software and the costs associated with the development of software for internal use.

Costs associated with externally purchased software and costs directly associated with the internal production of software products, which are controlled by the Bank and which will generate economic benefits exceeding those costs, are recognised as intangible assets. Economic benefits include those that help the Bank to achieve its mission.

ii: Amortisation

These costs are amortised over the expected useful lives of the software, which range from 3 to 14 years. Costs associated with software maintenance are recognised as an expense when incurred. Intangible assets are tested for impairment annually. Intangible assets are also subject to an impairment review if there are events or changes in circumstances that indicate that the current valuation may be too high.

	2025 (£mn)	2024 (£mn)
Cost		
At 1 March	356	318
Additions	24	38
Disposals/write-offs	(1)	–
At 28 February	**379**	**356**
Accumulated amortisation		
At 1 March	109	81
Charge for the year	29	28
Disposals/write-offs	(1)	–
At 28 February	**137**	**109**
Net book value at 1 March	247	237
Net book value at 28 February	**242**	**247**

Additions for the year includes accrued amounts of £nil (2024: £nil). The cash purchases for the year are £24mn (2024: £38mn).

31: Other assets

Accounting policies

Long leases granted on property owned by the Bank are treated as finance leases. Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease, being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

To manage Bank owned assets effectively, portfolio managers are employed to conduct strategic evaluations. Additionally, independent real estate valuation experts are engaged to assess residual values.

	2025 (£mn)	2024 (£mn)
Finance lease receivables	5	5
Short-term debtors and other assets	3,275	4,758
Items in course of settlement	330	1,828
	3,610	**6,591**

Finance lease receivables also include £5mn due in more than one year (2024: £5mn). Within short-term debtors and other assets, there is accrued interest of £1,955mn (2024: £3,130mn) mainly related to the loan to BEAPFF and £740mn (2024: £1,313mn) for accrued fees on TFSME loans.

32: Other liabilities

Accounting policies

Other liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced, or where an obligation on the Bank has arisen.

Provisions

Provisions are recognised in respect of restructuring, onerous leases and legal claims arising from past events, where a present legal or constructive obligation exists, where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Lease liabilities

Lease liabilities are recognised in respect of premises occupied by the Bank. Lease liabilities are recognised on the balance sheet and are measured at the present value of the remaining lease payments discounted at the weighted average lessee's incremental borrowing rate.

i: Analysis of other liabilities

	2025 (£mn)	2024 (£mn)
Items in course of collection	127	1,102
Payable to HM Treasury	33	3
Short-term creditors and other liabilities	2,234	3,528
Lease liabilities	30	25
Provisions	4	3
Balance at 28 February 2025	**2,428**	**4,661**

Payable to HM Treasury includes payment in lieu of dividend (note 28), enforcement fines (net of costs) payable to HM Treasury, and any over/underrecoveries of management fees for the management of the notes issue and the Exchange Equalisation Account. Within short-term creditors and other liabilities there is accrued interest of £2,110mn (2024: £3,400mn) mainly related to reserve accounts.

ii: Analysis of provisions

	Restructuring provision (£mn)	Onerous lease provision (£mn)	Other provisions (£mn)	Total (£mn)
Balance at 1 March 2024	–	–	3	3
Provisions utilised during the year	–	–	–	–
Provisions made during the year	2	–	–	2
Provisions reversed during the year	–	–	(1)	(1)
Balance at 28 February 2025	**2**	**–**	**2**	**4**

iii: Analysis of lease liabilities

	2025 (£mn)	2024 (£mn)
Expiring within one year	7	6
Expiring between one and five years	23	19
Expiring between five and ten years	–	–
Balance at 28 February 2025	**30**	**25**

iv: Lease liability movements

	2025 (£mn)	2024 (£mn)
Balance at 1 March 2024	25	38
New leases entered into in year	16	–
Payments in the year	(12)	(14)
Interest expense on lease liabilities	1	1
Balance at 28 February 2025	**30**	**25**

Section 7: Other miscellaneous notes

This section includes miscellaneous notes to the accounts not included in other sections.

33: Auditor's remuneration

	2025 (£000)	2024 (£000)
For the period to 28 February		
Fees relating to audit services performed for the current year	865	1,275
Fees relating to prior year	85	85
Fees payable to the Auditor for services provided to the Bank		
Non-audit assurance services for the current year	85	58
Total	**1,035**	**1,418**

Non-audit assurance services comprise £62,000 for providing assurance to HM Treasury on the allocation of costs and performing agreed-upon procedures in support of the National Audit Office (2024: £34,000), and £23,000 for the submission for Whole Government Accounts (2024: £24,000). Fees relating to prior year, including the amount recognised in 2025, are related to the external audit by KPMG of the year ended 29 February 2024. Ernst & Young are the new auditors for the external audit of the year ended 28 February 2025.

34: Deferred tax

Accounting policies

Deferred tax

Deferred tax is provided in full, using the liability method, on losses, tax credits and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by 28 February 2025 and which are expected to apply when the related deferred tax asset or liability is realised. Deferred tax liabilities are presented net of deferred tax assets in the statement of financial position as the Bank has the legal right to settle current tax amounts on a net basis and all tax amounts relate to amounts owing to HMRC in the same jurisdiction. It is the Bank's intention to settle amounts on a net basis.

Rate

Deferred tax is calculated on temporary differences, losses and tax credits using the tax rate of 25.00% (2024: 25.00%).

Principal differences

The principal temporary differences arise from:

- revaluation of certain financial assets;
- provisions for pensions and other post-retirement benefits;
- depreciation of property, plant and equipment;
- property revaluations; and
- intangibles.

Recognition

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences, losses and tax credits can be utilised.

Deferred tax related to securities held at FVOCI under IFRS 9 and actuarial gains and losses on retirement benefit obligations is credited or charged directly to other comprehensive income and is subsequently recognised in the income statement together with the current or deferred gain or loss if and when realised.

	Note	2025 (£mn)	2024 (£mn)
Deferred tax			
Net liability at 1 March		432	448
Income statement (credit)/charge	6	20	(1)
Tax charged/(credited) through other comprehensive income or directly to equity	6	33	(15)
Net liability at 28 February		**485**	**432**

	2025 (£mn)	2024 (£mn)
Deferred tax liability relates to:		
FVOCI equity investments through comprehensive income	424	382
Pensions and other post-retirement benefits	155	161
Losses carried forward(1)	(102)	(110)
Other	8	(1)
Total	**485**	**432**

(1) The Bank has considered the carrying value of deferred tax assets and concluded that, based on management's estimates, sufficient sustainable taxable profits will be generated in future years to recover recognised deferred tax assets.

The Bank has deductible temporary differences of £86mn (2024: £86mn) worth £21mn (2024: £21mn) in deferred tax at 25% relating to revalued property on which no deferred tax is recognised.

Issue Department account for the period ended 28 February 2025

	2025 (£mn)	2024 (£mn)
Income and profits		
Securities of, or guaranteed by, the British Government	89	93
Other securities and assets	4,412	4,251
	4,501	**4,344**
Expenses		
Cost of production of banknotes	(21)	(36)
Cost of issue, custody and payment of banknotes	(31)	(31)
Other expenses	(5)	(5)
	(57)	**(72)**
Buffer withheld by Bank(1)	(6)	(16)
Net seigniorage income paid to the National Loans Fund	**4,438**	**4,256**

(1) Net income paid to the NLF excludes a buffer held back to meet future expenditure. At the 2025 year end this was £6mn (2024: £16mn). Amounts held back in the buffer are paid over to the NLF in the subsequent year but are not included in that year's net income paid to NLF reported here.

Issue Department statement of balances for the period ended 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Assets			
Securities of, or guaranteed by, the British Government	3	1,500	1,506
Other securities and assets including those acquired under reverse repurchase agreements	4	89,093	85,512
Total assets		**90,593**	**87,018**
Liabilities			
Notes issued:			
In circulation	5	90,593	87,018
Total liabilities		**90,593**	**87,018**

On behalf of the Governor and Company of the Bank of England:

Mr A Bailey, Governor

Mr S Woods, Deputy Governor

Mr D Roberts, Chair of Court

Ms A Kyei, Chief Financial Officer

Notes to the Issue Department statements of account

1: Basis of preparation

The statements of account are prepared in accordance with the requirements of the Currency and Bank Notes Act 1928 and 1954, the National Loans Act 1968 and the Currency Act 1983. All profits of the Issue Department are payable to the National Loans Fund (NLF).

- The statements of account are prepared on the basis of amounts received and paid as modified by the effects of a revaluation of securities.

- All securities are revalued quarterly at their clean mid-market price and are stated, with purchased accrued interest, in the balance sheet at this valuation. The last valuation was made as at 28 February 2025.

- If a revaluation of securities shows a net gain, this is included in income. A deficit is not taken against income but is settled by a transfer from the NLF. Total gains taken to income in the year to 28 February 2025 amounted to £11mn (2024: £16mn) and total deficits paid by the NLF amounted to £18mn (2024: £46mn).

- Notes in circulation exclude those old series notes which have been written off. The value of the note is still given by the Bank on presentation. The Bank is reimbursed by HM Treasury in these instances.

2: Expenses

The expenses of £57mn (2024: £72mn) represent charges from the Banking Department for costs incurred by the Issue Department of £60mn (2024: £72mn) in relation to note issuance production costs plus or minus amounts over/undercollected in prior years.

3: Securities of, or guaranteed by, the British Government

	2025 (£mn)	2024 (£mn)
British Government Stocks	1,130	1,136
Ways and Means advance to the National Loans Fund	370	370
	1,500	**1,506**

The Ways and Means advance earns interest at Bank Rate.

4: Other securities and assets including those acquired under reverse repurchase agreements

	2025 (£mn)	2024 (£mn)
Deposit with Banking Department	89,093	85,512
	89,093	**85,512**

The deposit with the Banking Department earns interest at Bank Rate. The interest received from the deposit is recognised in 'Other securities and assets' in the Issue Department account for the period.

5: Notes in circulation

	2025 (£mn)	2024 (£mn)
£5	1,955	1,922
£10	12,580	12,767
£20	55,101	52,926
£50	16,236	14,757
Other notes(1)	4,721	4,646
	90,593	**87,018**

(1) Includes higher-value notes used as backing for the note issues of banks in Scotland and Northern Ireland.

6: Assets and liabilities

a: Interest rate exposure

As the liabilities of the Issue Department are interest free, the income of the Issue Department is directly exposed to movements in interest rates. As at 28 February 2025, the assets of the Issue Department had the following repricing period profile.

	2025 (£mn)	2024 (£mn)
Repricing up to one month	89,860	85,882
Repricing in greater than 12 months	733	1,136
	90,593	**87,018**

b: Currency exposure

All the assets and liabilities of the Issue Department are denominated in sterling. The collateral provided under reverse repurchase agreements may be in currencies other than sterling but this does not give rise to any direct currency exposure.

c: Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. The Bank is exposed to credit risk both through direct exposures and through contingent exposures, such as custody arrangements and holdings of collateral. Credit risk arises in the course of the operations of the Notes Circulation Scheme, Agency Notes Store and Notes Printing Contract; and as a result of the Bank providing liquidity to financial institutions via open market operations.

In providing liquidity via routine open market operations, credit risk is managed by ensuring that exposures are fully collateralised (with appropriate margin) by securities that are internally rated as equivalent to investment grade securities.

Credit risk on the securities held outright by the Bank is managed by holding only securities internally rated as equivalent to investment grade securities in routine circumstances, issued chiefly by governments and central banks.

7: Accrued interest

At 28 February 2025 the unrecognised accrued interest on the assets held on the Issue Department statement of balances was £53mn (2024: £33mn).

8: Date of approval

The Members of Court approved the statements of account on pages 196–200 on 12 June 2025.

PRA income statement for the period ended 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Income			
Fee income	2	330	303
Enforcement fine income	5	2	2
Other income	3	12	10
Total income		**344**	**315**
Expenses			
Administrative expenses	4	(344)	(315)
Total expenses		**(344)**	**(315)**
Surplus/(deficit)		–	–

The amounts for the PRA are reported within the Banking Department, and are presented here in accordance with the requirements of Section 7(2A) of the Bank of England Act 1998.

The notes on pages 203–10 are an integral part of these financial statements.

PRA statement of balances for the period ended 28 February 2025

	Note	2025 (£mn)	2024 (£mn)
Assets			
Current assets			
Cash balance held internally by the Bank of England		25	–
Fees and other receivables	8	1	–
Intangible assets	9	13	15
Total assets		**39**	**15**
Liabilities			
Current liabilities			
Overdraft balance held internally by the Bank of England		–	7
Trade and other liabilities	10	39	8
Total liabilities		**39**	**15**

The balances for the PRA are reported within the Banking Department, and are presented here in accordance with the requirements of Section 7(2A) of the Bank of England Act 1998.

On behalf of the Governor and Company of the Bank of England:
Mr A Bailey, Governor
Mr S Woods, Deputy Governor
Mr D Roberts, Chair of Court
Ms A Kyei, Chief Financial Officer

The notes on pages 203–10 are an integral part of these financial statements.

Notes to the PRA statement of accounts

1: Basis of preparation

Form of presentation of the statement of accounts

The statement of accounts comprise the income statement, the statement of balances, and related notes, and are presented as a subset of the financial statements provided for the Bank.

Under the Bank of England Act 1998 (as amended) (the Act), the Bank is required to present financial and other disclosures in respect of its activities as the Prudential Regulation Authority.

Section 7(2A) of the Act requires that the Bank prepare for each of its financial years a statement of accounts in relation to the:

(a) income received and assets accrued by the Bank by virtue of its functions as the Prudential Regulation Authority; and

(b) expenses and liabilities incurred by the Bank by virtue of its functions as the Prudential Regulation Authority.

Section 7(4A) of the Act requires the Bank to comply with any directions given by HM Treasury as to:

(a) the information to be contained in the statement and the manner in which it is to be presented; and

(b) the methods and principles according to which the statement is to be prepared.

The direction from HM Treasury requires the accounting policies and disclosures applied to be aligned with those standards applicable to the Bank and also to include specific disclosures in relation to:

(a) fair pay;
(b) sickness absence;
(c) exit packages; and
(d) losses and special payments.

The statement of accounts has been prepared and shows the amounts related to the Bank's activities as the PRA that are reported within the Banking Department financial statements. The statement of accounts comprise the income statement, the statement of balances and related notes.

The additional disclosures have been included within the notes to the statement of accounts.

The Court of Directors confirms that the money levied by the Prudential Regulation Authority under Parliamentary Authority recorded in these statement of accounts of the PRA has been applied to the purposes intended by Parliament.

Accounting policies

The principal accounting policies applied in the preparation of the statement of accounts are the same as those applied by the Bank.

Income from regulatory activity

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement consultation process, along with fees for specific regulatory activity. This fee income is recognised to the value of relevant expenditure incurred in the year, in the income statement.

Special project fees

Special project fee income is recognised to match expenditure incurred on activity that has been designated as a special project, for which fees are raised separately in arrears.

There are special project fee activities for which fees are collected in advance, in anticipation of the total spending requirements in the year. Income is recognised through the income statement against cost incurred. Any surplus or deficit is returned or recovered in subsequent financial years.

Model Maintenance Fees

Model Maintenance Fees are collected from eligible fee payers in anticipation of the total cost of providing internal model reviews throughout the year, and recognised through the income statement in its entirety throughout the year.

Other sundry income includes authorisation fees paid by firms and individuals, which is recognised in the income statement as incurred.

Enforcement income

Financial penalty monies are recognised as revenue, capped at the level of enforcement expenditure in the year, where they have been levied and received in the financial year, in accordance with the PRA Financial Penalty Scheme. Where financial penalties specific to a single case exceed its costs, the excess penalty monies received can be used to cover expenditure on other cases in the current period. This is returned to fee payers (excluding those fined) in the following financial year. Any financial penalty monies received in excess of total enforcement expenditure in the current period is paid over to HM Treasury, and is not recognised as revenue in the Bank's accounts.

Cost recoveries

Costs in relation to reports under section 166 of the Financial Services and Markets Act 2023 are fully recovered directly from the specific entities under review. The recovery of these costs is matched directly to the costs incurred in the income statement within expenditure.

Cash balance held internally by the Bank of England

Cash held internally by the Bank of England is a notional cash balance at the reporting date and represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity.

Treatment of a surplus or deficit

Any surplus or deficit between fees collected and income recognised in the year will be held as a payable or receivable on the balance sheet as the intention is to return any surplus or claim any deficit in the following financial year.

2: Fee income

	2025 (£mn)	2024 (£mn)
Fee income	330	303
Total	**330**	**303**

3: Other income

	2025 (£mn)	2024 (£mn)
Model Maintenance Fee income	9	9
Other sundry income	3	1
Total	**12**	**10**

4: Administrative expenses

	Note	2025 (£mn)	2024 (£mn)
Staff costs	6	172	158
Costs incurred centrally and allocated to the PRA		159	140
Professional and membership fees		3	4
Amortisation of intangible assets		2	3
Travel and accommodation		1	1
Other administration and general expenses		7	9
Total		**344**	**315**

Included within administrative expenses are costs incurred centrally and allocated to the PRA for provision of IT, Finance, Property and Procurement, and Human Resource services.

5: Enforcement fine income

During the year £33.9mn of enforcement fines were raised and collected. Enforcement income of £2.1mn (2024: £1.9mn) was recognised in the year, with the balance of £31.8mn payable to HM Treasury (2024: £2.3mn). This payment was made post year end. Enforcement fines received and then paid over to HM Treasury is not recognised as income.

6: Staff costs

	2025 (£mn)	2024 (£mn)
Wages and salaries	135	125
Social security costs	15	14
Pension and other post-retirement costs	22	19
Total	**172**	**158**

HM Treasury has made a direction under Section 7(4A) of the Bank of England Act 1998 requiring the Bank to disclose the following in respect of staff deemed to work exclusively for the PRA.

Fair pay

The banded remuneration of the highest paid director (full time equivalent base salary plus benefits and excluding pension) in the financial year 2024/25 was £307,696 (2023/24: £298,545). This comprises a salary of £304,880 as at 28 February 2025 (2023/24: £296,000), plus non pension related benefits of £2,816 (2023/24: £2,545). This was 4.16 (2023/24: 4.21) times the median remuneration of the workforce, which was £73,930 (2023/24: £70,937). The decrease in the ratio from the prior year reflects the Bank's annual pay rise and an increase in the total number of employees, which has increased the median pay.

During 2024/25 no employee received remuneration in excess of the highest paid director. Remuneration ranged from £27,361 to £273,983 (2024: £26,247 to £273,983).

Exit package

There were no compulsory redundancies during the year.

There was one exit package agreed during the year, in the ranges set out below:

£20,000–£30,000

Sickness absence

The average level of sickness absence in the organisation, calculated as working days lost per financial year based on the number of full-time equivalent employees was six days (five in 2024).

Average staff numbers

The average number of persons employed by the Bank deemed to work exclusively for the PRA during the year was made up as follows:

	2025	2024
Governors and other members of Executive Team	7	7
Managers and analysts	1,409	1,363
Other staff	219	202
Total	**1,635**	**1,572**

The number of persons employed by the Bank and working for the PRA was 1,645 at 28 February 2025, of which 1,408 were full-time staff and 237 were part-time (2024: 1,617; with 1,371 full-time and 246 part-time).

7: Taxation

Under the agreement with HM Revenue and Customs, the fees paid by regulated institutions for regulatory purposes are not subject to corporation tax, but net interest income on deposits and any other investment income are subject to corporation tax as non-trade credits. Such net interest or other investment income was £nil during the year (2024: £nil).

8: Fee and other receivables

	2025 (£mn)	2024 (£mn)
Fees receivable	1	–
Total	**1**	**–**

Fees receivable at the reporting date includes £nil (2024: £nil) on account invoicing relating to the annual funding requirement from counterparties for the 2024/25 fee year.

9: Intangible assets

	2025 (£mn)	2024 (£mn)
Cost		
At 1 March	52	52
Additions	–	–
At 28 February	**52**	**52**
Accumulated amortisation		
At 1 March	37	34
Charge for the year	2	3
At 28 February	**39**	**37**
Net book value at 1 March	15	18
Net book value at 28 February	**13**	**15**

Intangible assets comprise software development to enable the PRA to fulfil its regulatory duties.

There were no additions of intangible assets purchased but not paid for at the balance sheet date (2024: £nil).

10: Trade and other liabilities

	Note	2025 (£mn)	2024 (£mn)
Fees received in advance		5	4
Financial penalties received – due to HM Treasury	5	32	2
Financial penalties received – payable to fee payers	5	2	2
Total		**39**	**8**

In accordance with the PRA Financial Penalty Scheme, financial penalty monies received are payable to HM Treasury where they are in excess of enforcement costs incurred during the year, with the remainder due to fee payers.

11: Financial risk

The PRA's principal financial assets are cash, together with fees and other receivables.

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to meet its financial obligations to the Bank in its capacity as the PRA. The credit risk that the PRA faces arises when the PRA invoices counterparties from the financial services industry for the collection of regulatory fees and special project fees.

The Bank monitors the credit risk exposure, and the collection of fees from counterparties, on behalf of the PRA. The PRA has a strong record of collecting fees with outstanding amounts at the year end relating to regulatory services already consumed by those counterparties almost negligible.

Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In sterling, liquidity risk does not arise as the Bank is able to create sterling liquidity.

12: Losses and special payments

There were no reportable losses or special payments in the year.

13: Date of approval

The Members of Court approved the statements of account on pages 201–10 on 12 June 2025.

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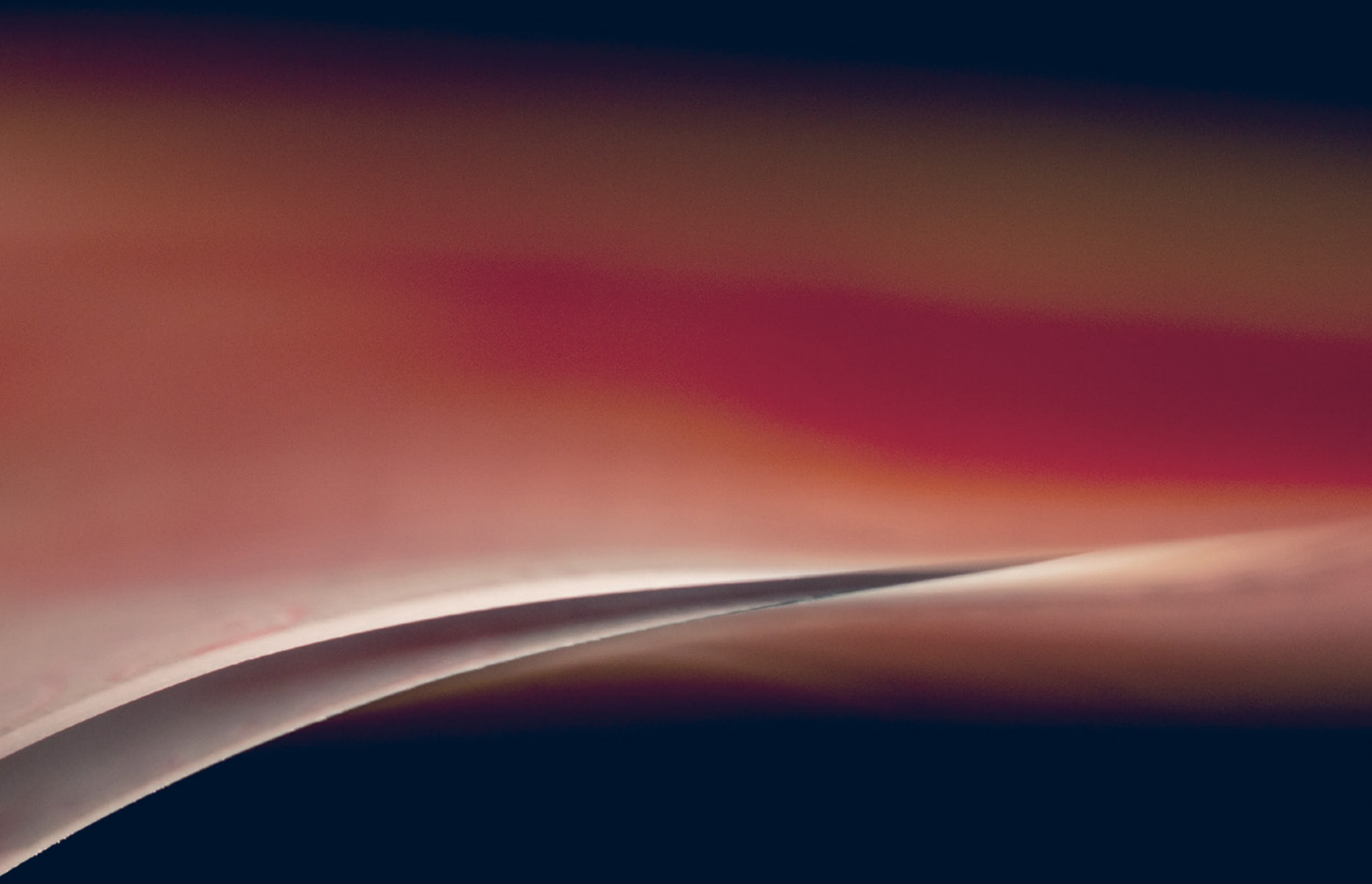

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Our mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability

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