

**A different bank**  
for people who want a  
**different world.**



Unique Caring Creative Passionate

# CONTENTS

Chairman's Statement	2
Chief Executive's Report	4
The Charity Bank Model	8
Our Vision and Mission	12
Unique	16
Caring	20
Creative	24
Passionate	28
Financial Analysis	32
Financial Picture	34
Our History	38
Our Investors	40

# CHAIRMAN'S statement

Charity Bank's growth towards sustainability is taking place in a challenging, changing and exciting environment, at a time when many in the banking industry are suffering, nationally and globally, from events in liquidity and credit markets.

We hold an unusual position among banks, being uniquely placed to create a special relationship between those with the financial resources to help those in need and the charities that dedicate their efforts for the benefit of others. We expect to learn a great deal this year about how global and local economic conditions affect the thinking and instincts of people who give to help others. It is to be hoped that the nature of philanthropy is sound enough to endure this worrying time.

Communities in particular must be alert to those who will be disadvantaged by economic circumstances. Personal or family debt is a luxury for some, but for many others it is an unwanted way of life. Poverty traps those most in need, such as our young and our elderly, and the components of poverty – debt, unemployment and lack of education among them – can help to create a vicious spiral that leads to desperation.

In these uncertain times, and as the wealth gap in the UK gets ever wider, we will be on the lookout for organisations geared to help turn this spiral into a virtuous circle, and will bring Charity Bank's financial techniques and know-how to assist them in working for the community.

During the course of the current year we will be seeking new capital from both existing and new investors in order to make room on our balance sheet for more depositors. This will give us the financial resources necessary to fund our expanding loan book and ensure that we are ready to help the charities that come to us. We will also be asking investors to give us feedback on whether they feel that we are meeting our mission and guidance on how we should frame our strategy for the future. This will help us to foster the understanding and creative thinking we need to make a success of our combined efforts to support the charitable sector.

It is this ability to engage our depositors, investors and borrowers with each other for the common good, which proves that the Charity Bank model works, and which is driving us steadily towards achieving our ambitions.

I would like to thank my colleagues on Charity Bank's Trustee Board, those who work on some of our committees as co-opted members, and the loyal and hard working staff of Charity Bank, for their support and trust during the past year. We have a real sense of the seriousness of our mission but this mixes with the reward of achieving something very special.

**David Clark**  
**Chairman**



Independence South West was supported thanks to the savings of Charity Bank depositors like John Amos (left). The organisation, which provides day care and respite services to adults with physical and sensory disabilities, requested a loan of £400,000 over 25 years, to repay the existing mortgage on its main property and assist with the conversion of the neighbouring property.

# CHIEF EXECUTIVE'S report

The global financial crisis has raised concerns about the functioning of the financial markets. While thriving entrepreneurial societies have shown they can create wealth, they also create social and environment issues that charity and government, on their own, cannot solve.

The credit crunch has also raised fundamental questions as to the purpose of banking, and whether there are more responsible and transparent ways to finance economic activity. This is particularly relevant for those markets, such as the ones served by Charity Bank, where credit is increasingly necessary but not always in ready supply, and where the commercial banks still do not respond because it is just not in their DNA to do so.

Few people expect that 2008 will be easy. A tighter public purse is already being felt within the contracting of public services, while other funders such as the Arts Council are significantly changing the way they support organisations.

The Government may have some way to go in developing its relationship with civil society – this was one of the factors behind our decision not to re-tender for the Futurebuilders Fund contract. But one good thing that has emerged from the nationalisation of Northern Rock is the three-year funding commitment to the Northern Rock Foundation, with whom we enjoy a close working relationship.

So what is Charity Bank's business focus for 2008? In our first five years we concentrated on the borrower market – the demand side of our balance sheet. But following two consecutive years of loan enquiries in excess of £100 million, a trend which has continued into 2008, we are now switching our focus to the

supply side and will be developing our range of deposits and investments to ensure we have the resources to respond to these enquiries.

We also want to replace the semantics associated with conventional banking by terms that evoke standards, such as honesty; responsibility; innovation; commitment; and a focus on people. We treat our customers (investors, depositors and borrowers) as valued partners, but we are not about offering market-beating financial products. Instead we are committed to adding value to the use of money as a tool in community development, stemming from a wider belief that all lives have equal value.

The team delivers the mission by underpinning its work with a set of agreed core values and each member treats each other as valued colleagues. In this way, Charity Bank hopes to create an environment where investments in social justice and charitable enterprise are driven by a creative approach to solutions and a passionate desire to deliver change, and which aren't limited by rules and contracts.

We have also begun a process of succession and growth, at both Board and executive levels. During 2007 my Deputy, Jolyon Larkman, retired. Bringing vast experience and common sense to the early development of Charity Bank, for which we are all grateful, he also played an important role as a Board member of Futurebuilders England. Jolyon is ably succeeded by Jim Gilbourne, who has been working with the team to position us to face the challenges and opportunities ahead.

**Malcolm Hayday**  
**Chief Executive**

Charity Bank depositor Ann Daniels (centre) knows 100% of her savings will be used to provide loan finance and support to community organisations such as Oxford House. Based in Bethnal Green, it offers services to London's communities including training courses, advice and representation for asylum seekers and refugees. Charity Bank provided loans totalling £395,000 to help the organisation complete a visual and performing arts centre and restructure its finances.





# £72,748,831

THE AMOUNT OF MONEY CHARITY BANK HAS COMMITTED  
TO CHARITIES AND OTHER SOCIALLY DRIVEN ORGANISATIONS  
SINCE ITS LAUNCH



Charity Bank is a different bank for people who want a different world. We are here to support organisations that serve society or communities. We're also here to provide a unique way for savers and investors to use their money within underserved communities. Charity Bank is for anyone who is passionate about redressing social injustice and open to creative ways of achieving a better future for us all.

*One of the children enjoys the facilities offered at a nursery run by Westminster Children's Society.*

# The Charity Bank **MODEL**

Charity Bank is a radical concept in banking and charity. We are the UK's only regulated bank which is also a registered general charity. And we're the only bank that uses our depositors' savings purely to support charities and social profit organisations that address society's needs.

Traditionally, people earn money and then give a proportion of their income away to charity – maybe five or six per cent. Similarly, trusts and foundations invest their endowment to generate income, from which they make grants. At Charity Bank we invest **100%** of our depositors' money in supporting charities and communities, money that our depositors can then get back.

By saving or investing with us, people are helping to create the capital that is desperately needed to support the more marginalised and vulnerable in our society.

## **How we support organisations with a social mission**

For the past six years, Charity Bank has been providing affordable loan finance and advice to enable charities, community associations, voluntary organisations, community businesses and social enterprises across the UK to grow. We often lend where other banks or building societies either will not make a loan at all, or will only do so on unaffordable terms.

In that time, we've learnt that the best way to ensure the success of these loans – and thus safeguard the money of our depositors – is through the business support and guidance we give, to help organisations work out where they are at, and what resources or skills they need to take them towards a more secure long-term future.

## **How our depositors and investors help us support charities**


We are supported by hundreds of people and organisations that want to encourage a more responsible and transparent use of money, and who are attracted by our simple model.

By saving with Charity Bank, depositors can earn a modest amount of interest to protect their capital, knowing that they can get their money back at the end of the term. They're also earning a social return, by allowing us to use their savings to provide a pool of funds which we then lend to organisations delivering solutions to social problems.

One such example is Emmaus Glasgow, a self-help and self-supporting enterprise for unemployed and homeless people. A £200,000 working capital loan, over a five year term, has enabled the project leaders to complete much needed improvement work on their property and so establish the organisation as a sustainable business.

Our depositors are pioneering a simple yet unique approach to supporting community organisations. It's actually a very intelligent way of 'giving to charity', for two reasons. One, because our savers can get their money back – compared with making a donation to charity which, once spent, is gone. And two, because money saved with Charity Bank can be used to help charities, social enterprises or community groups many times over, as once a loan is repaid, we can use the money to work with another organisation that needs support.





Britain is moving towards levels of poverty and inequality of wealth last seen more than 40 years ago. Put simply, the problems of poverty are not confined to the developing world but are happening right here on our doorstep. Charity Bank wants to harness the nation's wealth and use it as a positive force for change. We finance organisations that are tackling the human impact of poverty in communities throughout the UK.

*Children rehearse at the Half Moon Theatre.*



# £794 BILLION

20% OF UK WEALTH OWNED BY THE TOP 1% OF THE UK POPULATION,  
COMPARED TO 50% OF THE POPULATION THAT SHARES JUST 7%



# Our **VISION AND MISSION**

We have a mission: to tackle marginalisation, social injustice and exclusion, and facilitate social change through investment, while changing the perceptions of how personal and corporate wealth can provide finance for the benefit of society.

We believe that if charities are to be effective they must have the resources to hone their strategies and have the incentive and ability to grow if they wish. Charities and community organisations have specific financial needs which are often too small or complex for commercial banks to fulfil. But major social change is possible if we invest in social capital. Our vision is to see a growing capital market where every investor and saver is a social investor.

Charity Bank is not a full service bank – we do not serve the day-to-day banking needs of the general charity sector. We are more like a development bank, financing projects and organisations that we consider to be viable, but which are not always commercially bankable, or where the organisation has been offered terms that are not appropriate to its situation.

## **How we deliver our Mission**

Charity Bank finances charities and other civil society organisations that address society's needs, with the support of depositors and investors who want to encourage a more responsible and transparent use of money.

We deliver the mission as a team, underpinning our work with a set of agreed core values, which define Charity Bank and which are:

- **Honest**
- **People Focused**
- **Responsible**
- **Innovative**
- **Committed**

These values run throughout the organisation, from back office to customer-facing staff, and are incorporated into everyone's role, so that they inform all our processes and decisions. They are also used to measure both individual performance and the overall delivery by the team of a unique, creative, caring and passionate organisation.





Our depositors' funds enable us to provide affordable loan finance from a few thousand pounds to £1 million. In saving with us, our depositors sacrifice some financial return. But by doing so, they maximise the social return on their savings because it enables us to provide business support, not just loan finance. It means we can help many organisations consider new strategies for growth and whether loan finance is the right tool for them.

*A busy day in the workshop at the Little Angel Theatre.*

A photograph of a cluttered workshop. In the foreground, a woman is working on a doll with blonde hair and a pinkish face. The doll is positioned on the left side of the frame. The workshop is filled with various tools, materials, and finished or partially finished dolls. A desk in the background is covered with papers, photos, and other items. A yellow power drill is visible on the desk. The overall scene is one of a busy, creative workspace.

**£15,373,000**

VALUE OF LOANS AGREED BY CHARITY BANK IN 2007

# UNIQUE

We occupy a unique position in the marketplace, as a bank and a charity. That also means we have a unique mix of skills, which affords us a good understanding of the needs of community organisations up and down the UK.

Because we're a bank, we have the ability to offer financial support to organisations with a charitable cause, providing unsecured working capital loans as well as long-term secured investment funding.

Because we're a charity we understand how the sector works, and the inconsistency and idiosyncrasies of traditional sources of charity funding.

Our mission is to help drive the sector towards sustainability. So our lending and credit practices are underlined by a motivation to deliver workable and affordable finance for organisations that might not be able to borrow from commercial lenders and which could otherwise struggle to survive, let alone prosper.

For some organisations, a Charity Bank loan may not be the best option. In that case, we will let them know as quickly as we can, and offer support and advice about where to go instead, whether that's applying for a grant to develop a business plan, or brokering deals for those projects that are more eligible for commercial finance.

Where a Charity Bank loan is appropriate, an assessor is assigned to work with the organisation to better understand it and what is needed to get it to the next level of development.

## **Unique Team**

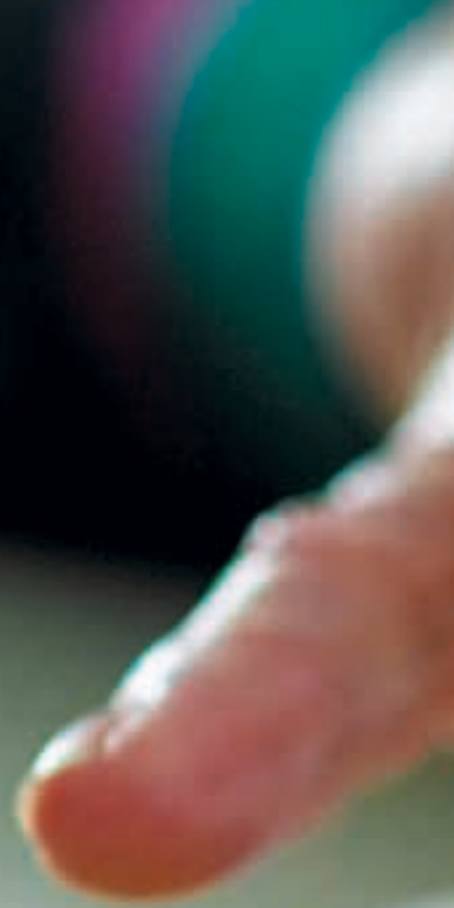
The members of our team come from a wide range of backgrounds, from banking and charity to social enterprise, commercial business, and the public and voluntary sectors. They are united in a passion to work for an organisation that makes a difference to the world, delivering tailor-made and responsible solutions to finance problems, rather than a one-size-fits-all approach.

Jon Mossdrop from the Charities Team of Barclays Bank, which has deposited some of its funds with Charity Bank, sees for himself how we use their money to support charities like the Little Angel Theatre in London. Despite its popularity, the theatre continually has to seek out new sources of funding, but a Charity Bank loan of £100,000 enabled it to expand and develop its work.



# 3,000,000

THE NUMBER OF PEOPLE ACROSS THE UK, AT LEAST, THAT  
HAVE BEEN REACHED BY ORGANISATIONS WE'VE SUPPORTED





Thanks to the support of our depositors, we've been able to provide business guidance and where appropriate, loan finance, to ensure an organisation is taking the next step that's most appropriate for it to survive and prosper. According to a survey of our borrowers, 74% of them say working with Charity Bank has helped them along the road to sustainability.

*Living Paintings Trust brings art to life.*

# CARING

## **For our supporters**

We value the people and organisations that support us through their savings and investments because they have a different approach to the world and are open to safe but creative ways of using their money, through investment as well as more conventional donations, to deliver social change.

## **For our borrowers**

Since our launch over 60% of our lending has been targeted in under-served communities. We see our success in the stories of the people helped by our borrowers – the beneficiaries of the charities we work with. We want to help ensure they continue to receive the help they need, for as long as they need it.

## **For all our customers**

The team at Charity Bank aims to deliver a professional service to our customers. As a bank, we are regulated by the Financial Services Authority (FSA) and are, like other financial service providers, required to undertake regular training, reporting and self- or external assessment processes. We are also a registered charity, which means that we are required to comply with the Charity Commission's guidance on governance, accounting and best practice.

In 2007 Charity Bank made a commitment to achieve Customer First, a national standard which measures our customers' experience of how we deliver services and support.

By working towards the standard during the course of 2008, the only financial service provider that is doing so, we aim to meet and exceed a series of requirements on building and maintaining customer relationships. The accreditation requires us to look closely at our relationships with our borrowers, partners, depositors and investors, to ensure our services are constantly improved and new ones developed to better meet their different needs.

## **For our team**

The people that make up Charity Bank are passionate about delivering transformational solutions. In return for their commitment to our mission, and for delivering that mission through signing up to our core values, we are committed to ensuring our employees develop and grow professionally. Additionally, as part of the Customer First standard, we are committed to equipping the team with the skills they need to deliver a customer-focused service.

This is done formally through regular appraisals, which require all employees to receive both external and internal feedback, and which help to identify training requirements.

More informally, we encourage our employees to undertake work at the coal face, by giving everyone time off to volunteer or get involved with a charity, as a Trustee or in another capacity, so that they can experience for themselves the kind of issues that our borrowers face on a daily basis.

By depositing some of her savings in a Charity Bank account, Sylvia Newberry (left) enables us to work with organisations such as Living Paintings Trust, which has pioneered a way of opening up the magical world of art, to blind and partially sighted children and adults, through touch and sound. A £70,000 loan from Charity Bank enabled the organisation to purchase the premises it was then renting.



# £3.27 BILLION

THE AMOUNT OF FINANCE UNLOCKED BY 2007 IN THE 'GLOBAL SOCIAL CAPITAL' MARKET, FROM A £7.55 MILLION STANDING START IN 2001

For many organisations, gift-giving remains their lifeblood – donations stood at £8.9 billion in 2005/06 in the UK – but the level of giving continues to grow only moderately. Whereas the social capital market – money being used to fund social enterprise work that supports communities or improves the environment – has grown by over 400% over the last six years, according to Ashoka, the world's largest network of social entrepreneurs. As a social enterprise helping to secure the future of such organisations, Charity Bank is part of this creative approach to solving society's problems and has seen a sevenfold expansion of its own resources since its launch.

*Students hone their juggling skills at Circus Space.*





# CREATIVE

Unlike any other bank in the UK, we combine the tools and professionalism of the financial services sector with the drive and motivation of charity, to create products and ideas that can really make a difference.

It's important that we are driven to deliver new and innovative solutions because as the funding landscape continues to change, so do the needs of our customers. As a result we launched some major initiatives last year that will strengthen our impact in achieving transformational results.

## **Charity Bank in the North**

In 2007 we opened our first ever regional office, Charity Bank in the North, to serve organisations in the Yorkshire and Humber region. It has been set up thanks to a £9.8 million, three-year investment by Yorkshire Forward, the first regional development agency to invest in this kind of initiative.

The investment is being used to finance a programme of support that will equip organisations with the information, skills and funding they need in order to become less reliant on grant funding, and empowering them to become more entrepreneurial in their outlook.

## **Partnership with Community Foundation Northern Ireland**

Additionally, at the end of 2007 Community Foundation Northern Ireland announced a £500,000 capital investment in Charity Bank, our first ever investment from a community foundation (an organisation that makes grants for charitable purposes in a specific community or region).

The Foundation aims to ease the transition from dependence on European funding and to help increase the sustainability and impact of community organisations, charities and social enterprises in Northern Ireland. We are also helping to develop the expertise of the Foundation's staff in building community assets, which will strengthen its role as more than a grant maker in Northern Ireland, and as an example to other community foundations.

## **A creative approach to our work**

Charity Bank is not just a reactive lender. We work with communities, often on the margins of mainstream society, to help them unlock access to financial resources.

Over the past 12 months we have been developing a number of financial tools to help Islamic community organisations, which we plan to launch during the year. Additionally, in response to an identified need among emerging social enterprises, we have begun rolling out an asset finance programme, targeted at those organisations that can't typically access commercial finance, but where purchase of a new minibus or computer hardware could make all the difference in improving their service delivery.

## **A creative approach to our product range**

We want to respond to customer demand and devise new ways of supporting charity without people or organisations having to give their money away. So in 2008, we launched the first ever Charity ISA – the only tax-free savings account where the deposit, as well as the interest, is used for a charitable purpose. We expect to develop the Charity ISA with other partners during the course of 2008.



Sara Ives from the Vincent Housing Association opened a Charity Bank savings account with funds from her organisation and signed up to our creative way of supporting charity. It means we can work with thriving enterprises like Circus Space, one of the top three circus schools in Europe, which required a £60,000 loan over five years in order to repay a short-term loan.

# 1 IN 5

THE NUMBER OF ELDERLY  
PEOPLE LIVING IN POVERTY  
IN THE UK





The UK's population is ageing. And while some elderly people have the health and wealth to enjoy their later years, others are struggling with neglect, ageism, isolation and financial hardship. At the other end of the scale, 3.8 million children – one in three – are currently living in poverty in the UK. Charity Bank is putting the savings of the baby boomer generation to work, to support organisations that provide much needed care for both old and young in more deprived communities.

*Charity Bank saver Marc Harvey (sixth from left) in the garden with some of the beneficiaries of The Parchment Trust.*

# PASSIONATE

Charity Bank is passionate about changing people's lives by creating social change through investment. We want to see – and measure – our impact in creating sustainable futures for our borrowers, in the satisfaction of our employees, and in our ability to attract and retain investors and depositors.

## **Measuring Outcomes and Impact**

Charity Bank is committed to proving how our model can facilitate this change. In practical terms, we are currently implementing ways of measuring both the social outcomes and impact of our activities. We have a great deal of anecdotal evidence about how Charity Bank loans make a vital difference to our borrowers, as seen in a recent letter from the Chairman of the Trustees at Ramsbury Memorial Hall, who we had assisted to buy the adjoining premises, and who says “The future benefits to our community from this purchase are enormous...”.

But we want to formalise our evidence gathering, in order to show more tangibly how our activities are benefiting individuals, organisations and society in general. We will continue the process, started last year, of devising a more defined reporting system, to define what data we require and how this will be collected, analysed and shared with our stakeholders. We expect this to be implemented later this year.

## **Delivering Great Service**


We want to be responsive to our customers' feedback and ensure they're experiencing best practice. We know for example that some of our potential borrowers will come to us at a point of crisis – say a short term cash flow issue – and who can't wait six weeks for an answer to their loan request.

So in 2007 we restructured the process to make it more efficient. Previously all loans went to a Credit Committee, made up of members of the Trustee Board and senior management team, but last year an internal Credit Committee was set up. It includes members of the senior management team only, and can approve secured loans up to £150,000 and unsecured loans up to £50,000. In its first six months it has approved 37 loans to the value of £2.87 million.

One such organisation helped by the new procedure was Liverpool South East Housing Society Ltd, which had been granted a loan by a local high street bank to finance the refurbishment of four tenanted housing units. At the last minute, the bank's Head Office over-ruled the local branch but the organisation had already contracted workmen. They got straight on the phone to us, and we were able to agree a loan of £30,000 within one week of the initial enquiry.

Every penny of the savings in Marc Harvey's account are put into a pool of funds, which we then use to work with organisations like The Parchment Trust. It runs a number of initiatives for people with learning disabilities, such as a co-operative for school leavers and a horticultural scheme. To secure the pTrust's existing activities and its future at Ore Farm, which can accommodate up to 150 people, Charity Bank provided a loan of £380,000 to assist with the purchase of the property.





In 2008 Charity Bank aims to lend £18 million to organisations with a social purpose. In order to do this, we require further funds – in the form of deposits as well as investment – to support the loans we have in the pipeline. We are campaigning to encourage a different way of using money, to create a social not just financial return. And the ongoing support of those who want to use their money in this way is vital to enable Charity Bank to continue its work.

*Circus Space gives children and young people the chance to learn new skills and explore their potential.*



**£9,921,567**

THE AMOUNT OF LOANS WE HAD 'IN THE PIPELINE' AS  
AT APRIL 2008

# FINANCIAL ANALYSIS

## Capital

After a period of consolidation, our efforts in 2007 were concentrated on growing our capital resources and lending, and we have achieved significant successes, the chief of these being the Yorkshire Forward programme. We received a substantial capital investment of £3 million in 2007 as part of this and are likely to receive further sums in the coming years. We also received significant revenue support to enable us to kick start the programme.

In addition, the Trust for Education, an existing shareholder of Charity Bank, increased its share capital subscription by £100,000. We also received Tier 2 capital, by way of 10 year subordinated loans, of £250,000, from both the Friends Provident Foundation and the John Ellerman Foundation.

Our programme to raise capital from high net worth individuals and their trusts was delayed by regulatory issues relating to the predominance of preference shares issued, compared to ordinary shares. However, we received a waiver from the FSA exempting us from this regulatory capital requirement until December 2012, which means we can now proceed with the capital issue. We already have commitments in principle of £2 million in preference share capital and have an ambitious longer-term programme to raise up to £12 million of core capital.

## Loans

Drawn loan balances increased in absolute terms by 15.5% during 2007 and we have yet again increased the proportion of funds lent, to 44.8% of the balance sheet (up from 40.8% in 2006). When commitments

to lend are added to the drawn loan figure, the percentage of the balance sheet committed to lending rises to nearer 70%.

## Deposits

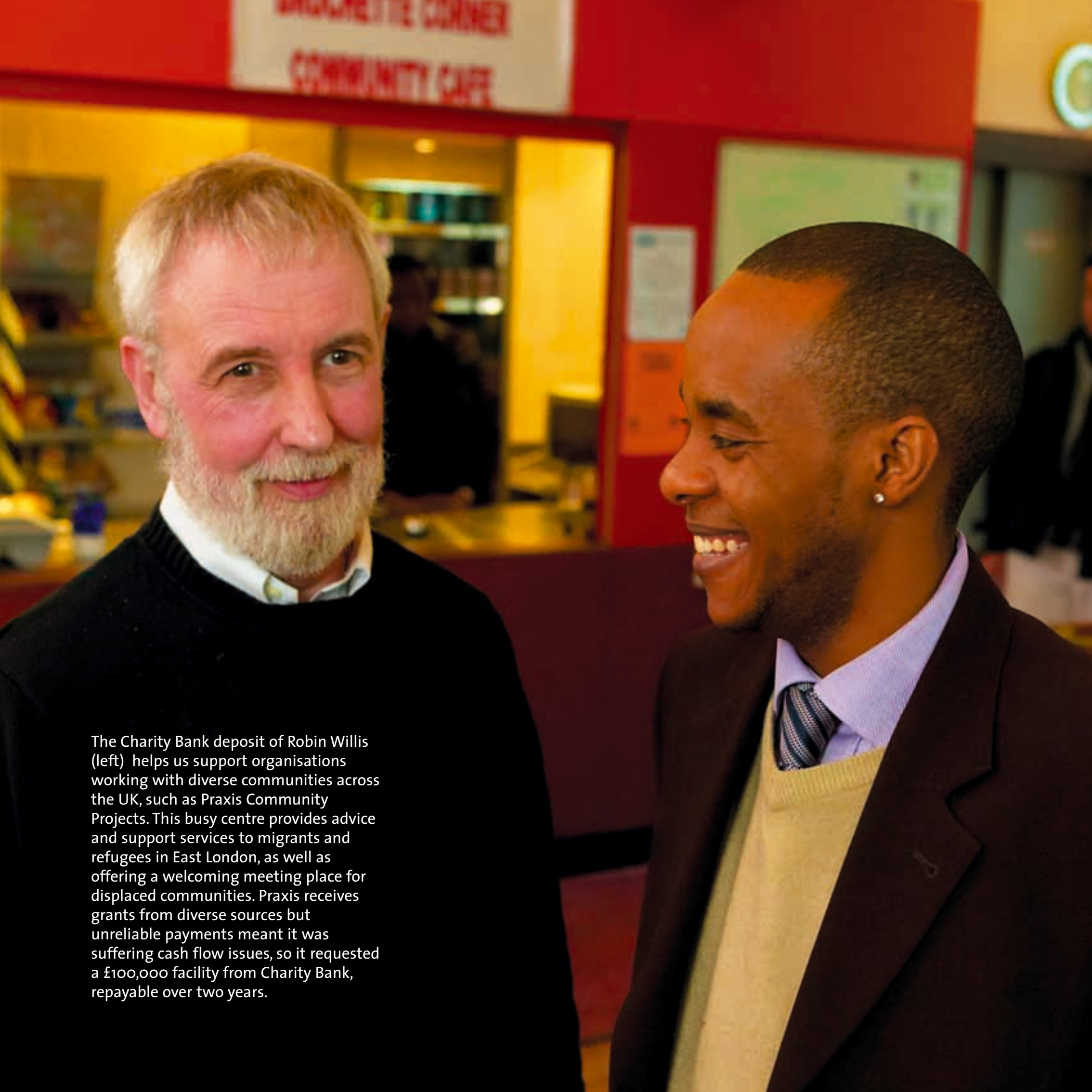
Deposit balances decreased in 2007 by 3.8%, largely as a result of repaying a number of our depositors at maturity. While our CITRA deposits remained suspended throughout 2007 to allow lending volumes to catch up, in 2008 we were awarded a fresh CITR wholesale accreditation. However, CITRA deposits will only be offered once we have achieved sufficient loan volumes to satisfy our accreditation requirements.

## Income and Expenditure

The net deficit for the year is higher than anticipated, on account of the need to make specific provisions against loans totalling £139,000. Net interest income increased by 25.7% in 2007, due to higher yield and higher volume of funds invested. Our cost of funds increased marginally from 1.9% in 2006 to 2.0% in 2007 and our operations costs increased this year by 31.6%, mainly due to setting up the Yorkshire Forward programme. Governance costs are higher by 59.4% as a result of legal costs concerning the proposed share issue.

## Looking forward

We have started 2008 with a healthy loan pipeline and are confident that there is sufficient need to enable us to fulfil the lending volumes in our budgets and business plans. We have also embarked on an ambitious programme of raising deposits from the public, and will be introducing new products during the year.



The Charity Bank deposit of Robin Willis (left) helps us support organisations working with diverse communities across the UK, such as Praxis Community Projects. This busy centre provides advice and support services to migrants and refugees in East London, as well as offering a welcoming meeting place for displaced communities. Praxis receives grants from diverse sources but unreliable payments meant it was suffering cash flow issues, so it requested a £100,000 facility from Charity Bank, repayable over two years.

# FINANCIAL PICTURE

<b>Capital</b>	£000					
Type of capital	2002	2003	2004	2005	2006	2007
Ordinary shares	1,000	1,000	1,000	1,000	1,000	1,000
B Preference shares	1,951	2,902	2,907	3,362	3,702	3,802
C Preference shares	-	-	500	500	500	500
Subordinated loans	-	-	-	1,000	2,000	2,500
<b>Total</b>	<b>2,951</b>	<b>3,902</b>	<b>4,407</b>	<b>5,862</b>	<b>7,202</b>	<b>7,802</b>

<b>Deposits</b>	£000					
Source of deposit	2002	2003	2004	2005	2006	2007
Public	2,026	5,852	7,819	25,443	27,823	27,164
Charitable Trusts and Foundations	506	2,282	2,385	3,770	3,134	3,249
Banks and Building Societies	2,180	3,680	4,170	4,170	3,170	2,420
<b>Total</b>	<b>4,712</b>	<b>11,814</b>	<b>14,374</b>	<b>33,383</b>	<b>34,127</b>	<b>32,833</b>

<b>Loans</b>	£000					
Details	2002	2003	2004	2005	2006	2007
Drawn loans	4,562	6,281	8,098	11,328	17,012	19,654
Commitments	1,073	939	667	2,189	2,320	4,274
<b>Total</b>	<b>5,635</b>	<b>7,220</b>	<b>8,765</b>	<b>13,517</b>	<b>19,332</b>	<b>23,928</b>

<b>Income and Expenditure</b>	£000					
Item	2002	2003	2004	2005	2006	2007
Net interest income	214	409	607	1,055	1,327	1,668
Grants and other income	161	190	273	265	357	514
<b>Total income</b>	<b>375</b>	<b>599</b>	<b>880</b>	<b>1,320</b>	<b>1,684</b>	<b>2,182</b>
Expenditure	(1,100)	(1,274)	(1,596)	(1,805)	(2,016)	(2,631)
Loan loss provision and bad debts written off	(30)	(59)	(101)	(112)	(228)	(227)
<b>Net deficit</b>	<b>(755)</b>	<b>(734)</b>	<b>(817)</b>	<b>(597)</b>	<b>(560)</b>	<b>(676)</b>

## INCOME AND EXPENDITURE ACCOUNT

Income	£000		Expenditure	£000	
	2007	2006		2007	2006
Net interest income	1,668	1,327	Expenses for banking operations	2,445	1,857
Fees and commission	159	192	Governance costs	118	74
Grants	355	165	Depreciation	68	85
			Provision for bad and doubtful debts	182	221
			Bad debts written off	45	7
	<b>2,182</b>	1,684			
<b>Net deficit</b>	<b>676</b>	560	<b>Total</b>	<b>2,858</b>	2,244
<b>Total</b>	<b>2,858</b>	2,244			

## BALANCE SHEET

Assets	£000		Liabilities, Shareholders Funds and Reserves	£000	
	2007	2006		2007	2006
Cash balance	1,644	2,372	Deposits by banks	2,420	3,170
Loans to charities	18,913	16,453	Customer accounts	30,413	30,957
Loans to banks	20,126	20,056	Long term loan	2,500	2,000
UK Government Gilt	1,094	1,113	Other liabilities	587	337
Other assets	475	352		<b>35,920</b>	36,464
			Called up share capital	5,302	5,202
			Profit and loss account	(4,139)	(3,463)
				<b>37,083</b>	38,203
			Founder Reserve	2,169	2,143
			Yorkshire Forward Reserve	3,000	-
<b>Total</b>	<b>42,252</b>	40,346	<b>Total</b>	<b>42,252</b>	40,346
			<b>Memorandum items</b>		
			Commitments	4,274	2,320

Where

Can you write sentences using these questions?

TRY

When

What

What's happened?

MAKE THE LOCKER  
DOORS AND WINDOWS  
TURNED OFF

Can you write  
sentences?  
Can you answer  
questions?  
TRY

# £160,000,000

THE AMOUNT OF ADDITIONAL FUNDING UNLOCKED FOR OUR BORROWERS,  
SINCE OUR LAUNCH, AS A RESULT OF A CHARITY BANK LOAN

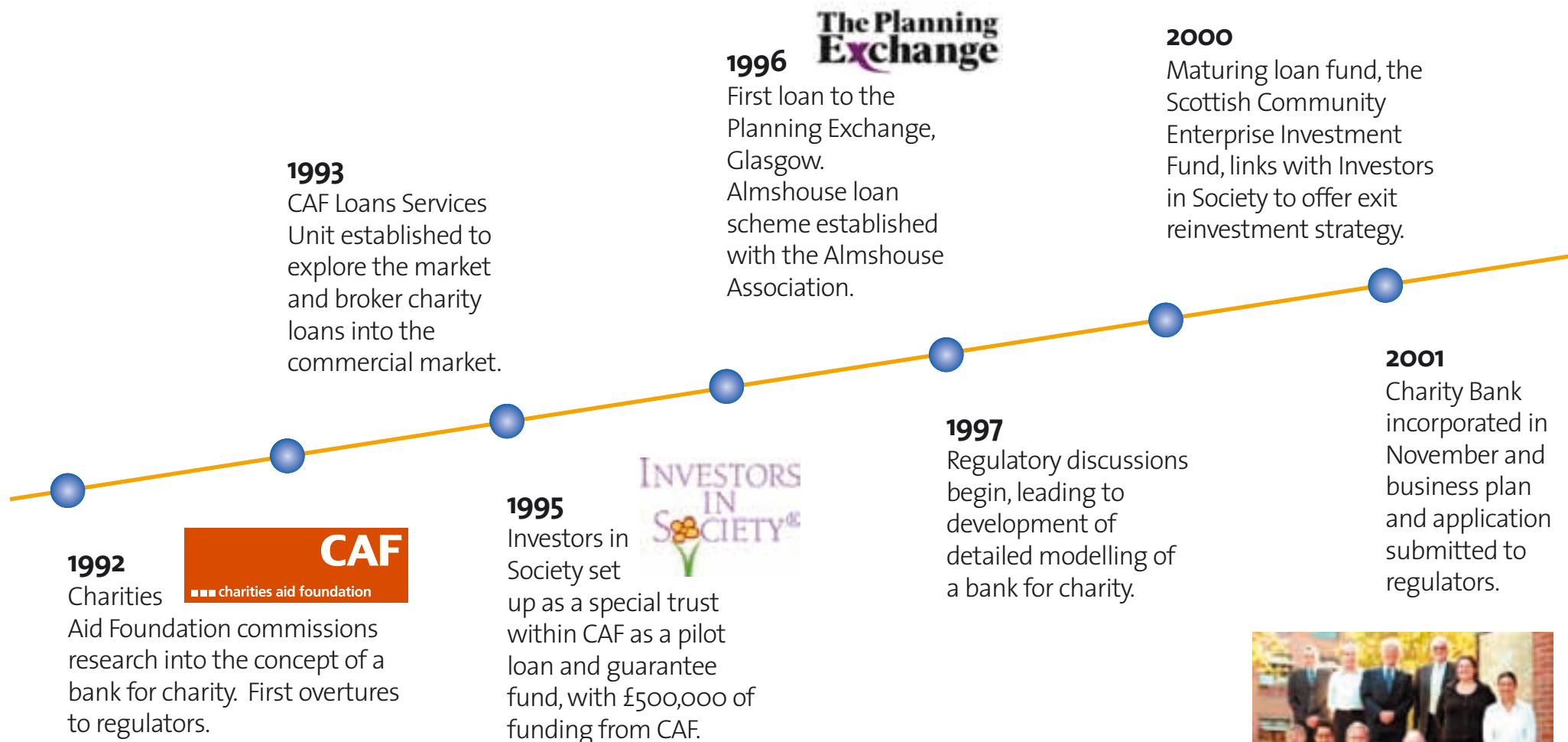




The Charity Bank due diligence process shows other funders that the purpose for which the money is needed is viable and sustainable. This, together with the quality of the due diligence we carry out, gives them confidence to commit their own money alongside Charity Bank. Sometimes we provide the final piece of the jigsaw; other times we're the first to commit.

*Workers and beneficiaries of Oxford House, with two of our depositors (pictured in the foreground, far left).*

# our HISTORY





**2002**

Charity Bank registered as a charity by Charity Commission and authorised as a bank by the Financial Services Authority. Inland Revenue consent also obtained. Investors in Society portfolio transferred to Charity Bank and first loans made, with an opening balance sheet of £6.4 million. Charity Bank launched by Chancellor of the Exchequer at 11 Downing Street, 17 October.

**2003**

Becomes Charter Member of the Community Development Finance Association (CDFA). The first bank to be a community development financial institution (CDFI), accredited by Government to deliver the community investment tax credit. Launch of the first tax effective community investment deposit account, the Charity Bank CITRA.

**2004**

Leads consortium awarded mandate to manage £125 million Futurebuilders investment fund on behalf of Home Office.

**2005**

First CITR investment limit fully subscribed at £12.5 million. The first bank to receive a second tranche of accreditation.



**2007**

Fifth anniversary. Yorkshire Forward invests £10 million in the first ever regional charity bank, Charity Bank in the North. Community Foundation Northern Ireland announces a £500,000 capital investment in Charity Bank, its first ever investment from a Community Foundation.

**2008**

The first Charity ISA launched, the only tax-free savings account where 100% of the funds are used for charitable purpose.

## our **INVESTORS**

With thanks to the following supporters of Charity Bank:

### **Ordinary shareholders**

Charities Aid Foundation

### **Non-Cumulative B Preference shareholders**

The Baring Foundation  
Charities Aid Foundation  
Community Foundation Northern Ireland  
Esmée Fairbairn Foundation  
Lankelly Chase Foundation  
The Mercers' Charitable Foundation  
MB Trust  
National Council for Voluntary Organisations  
NatWest Community Finance Fund (SE)  
Northern Rock Foundation  
The Nuffield Foundation  
The Phillips Fund  
The Prairie Trust  
Serve All Trust  
The Trust for Education  
The Tudor Trust  
The Vodafone UK Foundation  
The Wates Foundation

### **Non-Cumulative C Preference shareholders**

Barclays Bank PLC

### **Holders of 10-year Subordinated Loan notes**

Barclays Bank PLC  
Esmée Fairbairn Foundation  
Friends Provident Foundation  
The John Ellerman Foundation  
Northern Rock Foundation

### **We have also received programme funding and grants from:**

Arts Council England  
Barclays Bank PLC  
The Baring Foundation  
Beatrice Laing Charitable Trust  
The City Bridge Trust  
Deutsche Bank  
Esmée Fairbairn Foundation  
Friends Provident Foundation  
Garfield Weston Foundation  
Lloyds TSB Foundation England and Wales  
Monument Trust  
Office of the Third Sector  
RBS NatWest  
Serve All Trust  
Yorkshire Forward

This has enabled us to develop the work of Charity Bank and depositor relationships with around 1500 individuals, companies and charities.




The Charity Bank Limited  
194 High Street  
Tonbridge  
Kent TN9 1BE

Tel: +44 (0) 1732 774040  
Fax: +44 (0) 1732 774069  
Email: [enquiries@charitybank.org](mailto:enquiries@charitybank.org)  
Web: [www.charitybank.org](http://www.charitybank.org)

Photography: David Woolfall

All photography is of organisations and people in whom we have invested and we acknowledge their kind co-operation. With many thanks to our depositors, who visited some of our borrowers in March and April 2008.

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