United Trust Bank

United Trust Bank Limited

Pillar 3 disclosures

as at 31 December 2021

Contents

1. Introduction

This document constitutes the consolidated Pillar 3 disclosures of UTB Partners Limited ("the Group").

The purpose of this document is to provide information and disclosure to the Group's stakeholders in relation to the internal procedures and policies adopted by the Group to manage and mitigate its key risks.

1.1. Overview of Regulatory Framework

The Basel 3 regulatory framework, which was implemented in Europe through the Capital Requirements Directive IV ("CRD IV"), came into effect on 1 January 2014. This package defines the level of capital that banks must hold, having regard for the individual risk profile of each bank. Following the United Kingdom's exit from the European Union, the Prudential Regulation Authority ("PRA") published Policy Statements PS17/21 and PS 22/21 in Q3 and Q4 2021 to implement in the UK agreed changes to Basel 3. This package of modifications to the rules reflects the experience since CRD IV was first enacted in 2014.

The requirements of Basel 3 divides the framework into three 'pillars' as described below.

Pillar 1 – these requirements set out the minimum capital requirements that banks must adhere to.

Pillar 2 – these rules require that each bank performs an 'Individual Capital Adequacy Assessment Process' ("ICAAP") to assess its own risk profile and determine whether, having regard to those risks, any additional capital should be held over and above the Pillar 1 requirements. The amount of any additional capital requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ("SREP"), through which the PRA sets the overall capital resources requirement for each bank.

Pillar 3 – these rules are designed to promote market discipline by enhancing the level of disclosure made by banks to their stakeholders, allowing them to assess a bank's key risk exposures and the adequacy of a bank's risk management process to mitigate these risks.

1.2. Measure of capital resources

The Group uses the standardised approach to determine its Pillar 1 capital requirements.

1.3. Basis of disclosure

The Group's Pillar 3 disclosure document has been prepared in accordance with the CRD IV requirements as implemented in the UK. Where disclosure has been withheld due to its proprietary nature or omitted on the basis of materiality, as the rules permit, we comment as appropriate.

All disclosures within this report have been prepared as at 31 December 2021, which is the Group's latest financial year-end, and include the 2021 audited profits which the Board approved on 28 February 2022.

1.4. Frequency of disclosure

Pillar 3 disclosures are made at least annually and more frequently should management determine that significant events justify such disclosures. The Group's Pillar 3 disclosures are published on its website (www.utbank.co.uk).

1.5. Verification of information

The Group's Pillar 3 disclosures are approved by the Bank's Board on behalf of the Group and are not subject to external audit.

1.6. Regulatory Updates

In 2021, the PRA published Policy Statement PS20/21 "Financial holding companies: Further implementation" in which they set out the rules applying to financial holding companies. In the Group's case, UTB Partners Limited ("UTBP") is the parent company of the Group and, given its shareholding in the bank United Trust Bank Limited ("the Bank"), UTBP is classified as a Financial Holding Company under PRA rules. Accordingly the Group is supervised on a consolidated basis. UTBP does not undertake any regulated activities in its own right, and consequently is neither regulated nor approved.

In 2021, the PRA published (CP14/21) on the leverage ratio framework (now SS45/15). The UK leverage framework is set to replace the CRD leverage framework from January 2022. This will have limited impact on the Group.

In Q4 2021:

- The Band of England announced an increase to the UK countercyclical capital buffer (CCyB) rate from 0% currently to 1% from 13 Dec 2022.
- The PRA communicated that the implementation of the Basel 3.1 standards would be delayed. These requirements were initially expected to come into force in 2023.

The following other regulatory changes are applicable to the Group from 2022, none of which alter the Group's strategy:

- Binding NSFR: The Bank's NSFR has been consistently above minimum requirements.
- Large Exposure: The 25% exposure limit will be calculated on a narrower capital base, namely Tier 1 capital, instead of Total Capital currently used.
- IRRBB: Revision of the Interest Risk In the Banking Book (IRRBB) requirements.

2. Scope of Pillar 3 disclosure

This section of the document provides an outline of the structure of the Group and the nature of its business. The Group comprises:

- UTB Partners Limited ("UTBP"), which is the parent company of the Group. Its primary purpose is holding shares in its wholly owned subsidiaries United Trust Bank Limited ("the Bank" or "UTB") and SOS Intelligence Limited ("SOS"). UTBP does not undertake any regulated activities in its own right, and consequently is neither regulated nor approved; it has no employees.
- The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. It is the primary operating company in the Group and the only one with employees.
- SOS was launched in 2020 to commercialise proprietary cyber threat intelligence technology developed by the Bank's technology team. It is an immaterial unregulated entity, classified as an ancillary services undertaking, and is excluded from the basis of consolidation for regulatory purposes.
- The Group established an Employee Benefit Trust ("EBT") in 2019. Whilst the EBT is consolidated into the Group's statutory accounts, as require by FRS 1O2, it is legally outside the Group and is independently owned. It is therefore excluded from the basis of consolidation for regulatory purposes.

The PRA supervises the Group on a consolidated basis. It sets the capital requirement and receives information on the capital adequacy of the Group and Bank.

The Group's primary activity is that of the Bank, which is the provision of credit on a secured basis in niche markets within the United Kingdom. The Bank provides short to medium-term property loans for both the development of residential dwellings and the bridging of and investment in completed properties and property portfolios, as well as regulated mortgage products. The Bank finances plant, machinery and wheeled assets to small and medium sized enterprises ("SMEs"). All of the lending activities are funded by the Group's and Bank's capital base and a range of fixed and notice period deposit products offered to individuals and SMEs.

As permitted by the PRA rules, UTBP has delegated to the Bank responsibility for ensuring the Group complies with the relevant prudential regulations. The Bank is the regulated entity within the Group and has appropriate governance structures in place to manage such matters. Section 3 of this document describes the Bank's risk management and governance arrangements, as these cover both the Bank and the Group. The Bank's management regularly reports to the UTBP Board on prudential matters to keep the UTBP Board informed.

3. Risk management framework and strategy

3.1. Risk appetite statement

The Bank's Board ("the Board") sets out the overall level and types of risk that it is willing to accept, in order to fulfil its strategic objectives, in a comprehensive risk appetite statement. The Bank creates value by assuming risk and, as part of its annual strategic review process, the Board considers its key objectives and defines how much risk the Bank is willing to accept. The Board and management monitor and review risk appetite throughout the year in the context of emerging risks and changes in the external environment. For example, during 2021, the evolution of the Covid-19 pandemic and the public policy response was a key consideration.

Practical implementation of the Board's risk appetite is achieved via a risk management framework and suite of policies. The independent risk management function controls and monitors compliance with risk appetite and policies.

The Bank's Chief Risk Officer ("CRO") reports performance regularly to the Board, Board Risk Committee and executive management, presenting commentary on performance against key risk indicators and developments in the risk environment, supported by a comprehensive risk dashboard and other management information.

3.1.1 Risk management framework

The Bank's Risk Management objectives include enabling the Board to understand the risks to which the Bank may be exposed and ensuring that comprehensive risk information is captured and reported to the Board. The identification and measurement of risks allows senior management to ensure that the only risks they take on are within the risk appetite set by the Board.

The risk management framework and the governance arrangements provide a clear organisational structure with defined lines of responsibility and appropriate processes to identify, manage, monitor and report the risks to which the Bank is or may become exposed. It provides the overarching framework under which all subsidiary risk frameworks, policies, and procedures are developed.

The framework seeks to ensure that the risks to which the Bank is or may become exposed are appropriately identified and that those risks which the Bank decides to assume are managed so that the Bank is not subject to material unexpected loss. It also describes the interactions between the different risk processes within the Bank such as the risk appetite statement, stress testing, the ICAAP, the ILAAP and recovery planning.

The Bank's risk management framework was comprehensively reviewed in 2020, and during 2021 the framework and underlying policies were further enhanced and strengthened. The risk management framework provides an enterprise-wide view of UTB's approach to risk management, setting out how risk information is used within the Bank's decision-making and the risk management strategy, risk appetite, risk culture and risk governance. The framework supports business activities through continuous monitoring and management against the Board's defined risk appetite.

3.1.2 Risk management strategy

The purpose of the risk management strategy is to:

- identify key and emerging risks;
- set the Bank's risk appetite and ensure that business plans are consistent with it;
- take risk-informed decisions within the defined risk appetite;
- ensure that the risk appetite and business plans are supported by effective risk controls, technology, and people capabilities;
- monitor and report the level of key risks against the defined risk appetite;
- manage the Bank's risk profile to ensure that the business strategy can withstand a range of adverse conditions identified in stress testing;
- manage risk within the business units with effective independent oversight;
- ensure a sound risk control environment and risk-aware culture; and
- inform the Bank's compensation practices to reward only prudent risk taking within the risk appetite.

The level of risk that the Bank can assume and the strategy are informed by:

- the results of stress tests and scenario analysis; and
- the Bank's risk capacity.

The Bank's risk appetite aligns with its strategic objectives. The process ensures that its strategic objectives are "risk-informed" and aligned with the risk assumed.

The Board sets out the risk that can be assumed in each risk category by way of:

- a high level risk appetite statement defining the acceptable impact of the risk on the achievement of the Bank's goals and business objectives;
- granular statements detailing the type and level of specific risks that the Bank is willing to accept, tolerate, or avoid in the pursuit of its objectives; and
- risk limits and tolerances (quantitative or qualitative measures) that relate to individual business activities.

The Board approved risk appetite is documented in the risk appetite statement which details monitoring and escalation levels for risk metrics, including capital and liquidity. The risk appetite statement is reviewed at least annually or whenever there is a material change in the Bank's risk appetite, its activities or the market or economic environment within which it operates.

3.1.3 Risk culture

The Board considers a robust risk-aware culture to be fundamental to sound risk management. The Risk Management Framework emphasises the importance of this embedded culture throughout the Bank, which provides protection for customers, creditors, investors and other stakeholders.

Business decisions are taken within the context of this culture and are "risk-informed". They adhere to the Bank's risk appetite and policies and are monitored, controlled and reported to the appropriate level for oversight, as defined in the Bank's governance arrangements. The Board sets a clear expectation that business decisions:

- take account of risks;

- are compliant with approved policies;
- are within the defined risk appetite;
- can be monitored; and
- are reported to the appropriate level for oversight.

UTB monitors performance against key culture and conduct metrics, using a Culture and Conduct Risk dashboard, periodically reporting progress and compliance with key metrics to executive management and the Board Risk Committee.

The Bank's risk culture is evident in:

- a clear "tone from the top" reflecting a strong governance culture and ethics;
- a clear business strategy that is communicated and understood throughout the Bank;
- a risk appetite that is in line with the business strategy and embedded in the day-to-day management of the Bank;
- clear and well understood frameworks and policies;
- clear and risk-informed decision making with personal accountability;
- open channels of communication throughout the Bank to freely raise, discuss, understand, challenge and address issues;
- appropriate and ongoing training for all employees engaged in taking and controlling risk;
- no tolerance for ethical breaches; and
- effective performance measurement processes to promote prudent risk management, address poor risk management and avoid conflicts of interest.

The Bank has well-defined values which are communicated to all staff and their importance is emphasised and reinforced through coaching, training and performance objectives. All colleagues are aware of the need for sound risk management and their part in it and they are encouraged to identify, address and report risk incidents promptly.

Management analyse historical incidents in order to draw conclusions, promote and share good practice and learn lessons from poor practice, "near miss" incidents and actual errors.

The Bank seeks to avoid conflicts of interest in reward structures and to develop compensation structures that encourage prudent risk taking and are compliant with regulatory requirements.

3.1.4 Risk governance

The Board has ultimate responsibility for ensuring that an effective risk management framework is in place. The Board is responsible for a) approving the overall policy in relation to the types and level of risk that the Bank is permitted to assume in the pursuit of its business objectives; and b) maintaining a sufficient control environment to manage its key risks. The Board's Risk and Audit sub-committees monitor the risk management framework, the internal control environment and that risk exposures are within the defined risk appetite.

Any material breaches of the Bank's risk management policies, controls and procedures are reported to the Bank's Risk Committee and the Board and Audit Committee where appropriate. The Audit Committee is assisted by Internal Audit, which undertakes regular and ad-hoc reviews of risk management controls and procedures.

3.1.5 Three lines of defence

In line with industry best practice, the Bank follows a "three lines of defence" model which is integral to the risk management framework. All three lines of defence contribute towards the management of risk through effective management and oversight to ensure compliance with Board risk appetite, regulatory and policy requirements.

First line of defence

The first line of defence comprises the operating business units and staff who are the risk owners with responsibility for identifying and managing the risks arising within their areas. Business units are responsible for managing risks by operating within approved policies and by implementing and maintaining appropriate and effective systems and controls. Policies are approved by authorised committees in line with their terms of reference and are reviewed at least annually with any material changes requiring approval at committee level.

Business unit management is responsible for understanding risk within their business and for measuring, assessing and controlling risks. To assist in meeting this requirement, each business unit has its own operational processes and procedures documented to set out how they conform to approved policies and controls.

First line businesses have their own quality control processes to monitor and assess adherence to approved procedures. Their staff constitute the Bank's first line of defence and are expected to be aware of and own the risks relating to their activities. A regularly updated Risk Control Self-Assessment ("RCSA") process identifies the risks within each business unit, assesses and rates the likelihood and impact of each risk and identifies and rates the effectiveness of the relevant controls.

Second line of defence

The second line of defence comprises an independent risk management function which provides governance and oversight. The risk function monitors and controls adherence to regulatory requirements and the Bank's policies and appetite, providing challenge and guidance as required.

The second line of defence is responsible for communicating the risk strategy, risk framework and defined risk appetite to the business units. It independently monitors and conducts assurance programmes on the activities of the first line of defence and the effectiveness of controls.

The second line of defence also performs stress testing to assess the Bank's risk exposures and their potential impact under a range of adverse scenarios. The main functions of the second line of defence are in relation to financial, capital, credit, liquidity, interest rate, operational, conduct and compliance risk. The Compliance Director, the Head of Credit and the Prudential Risk Manager report to the Chief Risk Officer who reports to the Chief Executive Officer and the Chair of the Risk Committee. UTB employs an experienced team of risk management specialists in each department within the risk management function.

The risk management function does not have volume or sales targets and works proactively with business units to identify, challenge, measure, manage, monitor and report the risks arising within the business.

Third line of defence

The third line of defence comprises the independent internal audit function, which provides independent assurance on adherence with and effectiveness of policies and controls in the first and second lines. Internal audit is overseen by the Audit Committee and the Head of Internal Audit reports to the non-executive Chair of the Audit Committee and the Chief Executive Officer.

The third line of defence's scope and programme of work is agreed with the Audit Committee to provide an independent assessment of the internal control framework of the Bank. It can review adherence to policy and controls in the first line, the monitoring of activity in the second line, and the setting of policy and controls in the second line.

3.1.6 Scenario Analysis and Stress testing

The Board takes a forward-looking view of strategic, capital and liquidity planning as part of its Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP") and Recovery Plan. Sensitivity analysis, scenario analysis and reverse stress testing are used in these processes.

Stress testing and scenario analysis are risk management techniques used to evaluate the potential effects on the Bank's financial resources, following a specific event and/or movement in a set of risk drivers. They focus on low probability but plausible events and provide a useful risk management tool in assessing the adequacy of the Bank's capital and liquidity resources.

The Bank's stress testing policy is reviewed and approved by the Risk Committee and the Board annually or more frequently if required. The Risk Committee and the Board considers and approves the stress testing parameters used in the ICAAP, ILAAP and Recovery Plan.

3.2. Corporate governance structures

This section describes the committee and management structures in place within the Bank that identify and manage risk and ensure that the appropriate standards of corporate governance are maintained.

Significant risks are reviewed by the management of the Bank, with the aim of:

- identifying and assessing the risks faced by the Bank;
- assessing the appropriateness of risk measurement policies and practices; and
- assessing and commenting on the adequacy of the Bank's ability to measure, monitor and manage risks.

Any material breaches of the Bank's risk management policies, controls and procedures are reported to the Risk Committee, the Board and the Audit Committee where appropriate. The Audit Committee is assisted by Internal Audit, which undertakes regular and ad-hoc reviews of risk management controls and procedures. The Bank recognises that its future success as a financial institution depends on its ability to conduct its affairs with prudence and integrity and to safeguard the interests of its stakeholders.

3.2.1 The Board

Board size and composition

The Board of Directors of the Bank at the 31 December 2021, comprised of eight non-executive directors including the Chair and Deputy Chair, of which five are independent, and three executive directors, as listed on pages [x] to [x]. An additional independent non-excutuive director joined the Board on the 28 February 2022. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience is maintained.

Board Changes

Noel Meredith resigned from his position as Executive Director on the 31 March 2021. Mark Stokes joined the Bank in 2020 as Chief Commercial Officer and joined the Board on 25 June 2021. Alice Altermaire, who was on the Board as a Non-Executive Director from September 2017 to June 2019 was re-appointed post year end as a Non-Executive Director, on the 28 February 2022.

Board Responsibilities

The Board is responsible for:

- The overall direction and governance of the Bank and oversight of the Bank's management team.
- Establishing and monitoring the Bank's strategy. Implementation of the strategy is the responsibility of the Bank's Management Committee who report to the Board. The Board has oversight of how management implement the Bank's strategy and retains control through challenge at Board and committee meetings.
- Monitoring risk management, reviewing risk appetite and approving related policy statements. These policy statements establish the Bank's overall appetite for risk and set out the control environment within which it operates. The Board approves the level of risk that the Bank is willing to accept and is responsible for maintaining an adequate control environment to manage the key risks.
- Oversight of regulatory compliance and internal control systems and processes, and assessing the effectiveness of material controls.
- Ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.
- Ensuring the capital and liquidity resources are sufficient to achieve the Bank's objectives. The Board also maintains close oversight of current and future activities through Board reports which include a combination of strategic proposals, financial results, risk and operational reports, budgets, forecasts and reviews of the main risks as documented in the Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") reports.
- Changes to the structure, size and composition of the Board.
- Undertaking appropriate engagement to understand the views of other stakeholders in accordance with relevant legislative and regulatory requirements and in particular Section 172 of the Companies Act 2006.

Board effectiveness

The Board meets at least six times during a year, based on a defined timetable, and additionally when required. All members of the Board receive accurate and timely information to enable them to effectively participate in discussions. The performance of the Board is kept under review through an evaluation process. Regular training is also provided to members of the Board to ensure they are kept up to date with any changes to the regulatory environment within which the Bank operates.

Board 2021 Key Activities

- Review and approval of the Banks's budget and three-year strategic plans.
- Review and approval of the Bank's capital, liquidity, recovery and resolution plans.
- Considering the Bank's response to, and the impact of, the Covid-19 pandemic. The Board members regularly monitor the development of the pandemic and its impact on the Bank and its stakeholders, and provide oversight of the Bank's responses.
- Consideration and approval of the company's £12m dividend paid to the Bank's parent company, UTB Partners Limited.
- Engagement with regulators and regulatory developments during the year
- The Board and its committees spent time on a broad range of sustainability considerations in 2021 including Climate Change and Diversity and Inclusion.
- Appointment of new Board members and the new CEO

The performance of the Board is kept under review through an evaluation process. Regular training is also provided to members of the Board to ensure they are kept up to date with any changes to the regulatory environment within which the Bank operates.

Risk Appetite

The risk appetite established by the Board incorporates a balanced mix of both quantitative and qualitative measures. The Bank's quantitative targets include:

- Capital adequacy;
- Capital buffers;
- Liquidity limits;
- Liquidity buffers;
- Interest rate risk limits;
- Large exposure limits;
- Loan to Security Value (LTV) limits;
- Credit Risk Rating (CRR) limits; and
- Tail Risk Limits

Qualitative measures include:

- Managing reputational risk;
- Management stretch;
- Allocation of roles and responsibilities (SYSC); and
- Regulatory compliance

The Bank chooses to measure and monitor its risk appetite on a more quantitative basis, whilst qualitative issues remain a matter of judgement for management. In setting the Bank's risk appetite and risk tolerance levels, the Board and Senior Management have taken into account all the relevant risks that the Bank faces. The Group has a strong risk culture and its risk measures are well understood within the business.

It is important that all the Bank's risks are regularly considered. Any change to business objectives can cause a change to the risk profile of the business. Consequently, under the guidance of the Management, the business regularly reviews its objectives, assesses the risks which may prevent these objectives being achieved, and ensures there is defined ownership of the risks and corresponding controls.

The likelihood and impact of any risk is assessed and appropriate controls are designed to be effective, taking into account the severity of the risk faced. The output from these processes is provided to Internal Audit, to enable them to give assurance as part of the audit plan that controls are working properly and all risks have been properly identified.

Key Performance Indicators

The profitability and growth of the Group also has a key impact in the setting of the risk appetite. The Board monitors key performance indicators, including:

Measure	At 31 Dec 2021	At 31 Dec 2020	% Change
Operating Income	£95.2m	£79.1m	20.38%
Operating Profit	£50.8m	£44.1m	15.28%
Cost to Income Ratio	46.60%	44.20%	-240bps
Return on Equity	20.20%	15.90%	430bps
Gross New Lending	£1,479m	£1,298m	13.94%
Loan Book	£1,809m	£1,646m	9.86%
Deposit Book	£1,716m	£1,601m	7.13%
Staff Numbers	308	263	14.61%

Board Declaration on the Adequacy of Risk Management Arrangements

The Board considers that its risk management arrangements, including its risk management systems and controls, are adequate with regards to the Bank's profile and risk.

Other Directorships held by members of the Board

The number of external commercial directorships, LLP memberships and partnerships held by the Executive and Non-Executive Directors who served on the Board for the year ended 31 December 2021 in addition to their roles within the Bank were:

Name	Position	Total Positions held
Richard Murley	Chair	1
Graham Davin	Deputy Chair	1
Maria Harris	Non-Executive Director	1
Andrew Herd	Non-Executive Director	4
Michael Lewis	Non-Executive Director	5
Sarah Laessig	Non-Executive Director	2
Stephen Lockley	Non-Executive Director	1
Mark Stokes	Executive Director	1
Andrew Woosey	Non-Executive Director	1

In line with SYSC 4.3A.7, the above table only considers commercial directorships, and does not include charities and trusts. Multiple directorships held within the same group are considered to count as a single directorship. Members of the Board, who did not hold any other directorships in addition to their role within the Bank, for the year ended 31 December 2021, have been excluded.

Other Stakeholder Considerations

Employees

Our employees are key to the Bank's continued success and we place great emphasis on recognising and valuing their contributions, including the knowledge they share and the consistently high leverls of service they strive to deliver to all of our stakeholders. We continue to promote the Bank's values and were pleased to present six employees with individual value awards for the year. Winners of these awards are voted for by colleagues as people whose behaviour exemplifies the Bank's values.

Maintaining and promoting the Bank's culture and values underpins how the Bank conducts its business and interacts with customers, brokers, regulators, advisors and staff. The values are embedded in staff training and performance appraisals and the recognition of exemplary employees. Assessing cultural fit is a key aspect of the recruitment process. We intend to maintain an appropriate mix of employees, with front line customer facing staff supported by appropriate systems and appropriately staffed control and oversight functions. The Board and management recognise the importance of leading by example.

Staff numbers reached 308, a 15% increase on 2020, with new staff joining across all areas of the Bank, including senior management, operations and control functions, to ensure a balanced control culture is maintained as the Bank grows. The Bank is an equal opportunities employer and employs staff from a diverse range of backgrounds. Pay is set in line with the market and a comprehensive package of benefits is offered, including a contributory pension scheme, private healthcare, life and disability insurance, wellbeing support and flexible working where this can be accommodated. We support staff development through
training and development programmes and an employee run sports and social committee, which arranges a number of events each year to enhance staff engagement.

Diversity and Inclusion

Diversity and Inclusion continue to be an important focus for the Board. The contribution of our employees, their talent and the long-term relationships they build, are integral to delivering the highest levels of service to our customers and clients. The Bank prioritises building a diverse and inclusive company which is committed to ensuring that all our employees can feel proud to work for us, regardless of their gender, age, race, ethnicity, disability, religion or belief and sexual orientation or background.

Employees believe in treating each other fairly, with dignity and respect, and in creating an environment where every individual is given equal access to opportunities to fully develop to their potential. In line with our values, we listen, respect one another's opinions, and promote an inclusive culture for all staff. We work co-operatively with our colleagues, whilst recognising their different strengths and abilities. In our behaviour, we are trustworthy and honest and we are transparent and respectful of one another and of each other's opinions.

The Board is committed to:

- Creating an environment in which individual differences and the contributions of all team members are recognised and valued.
- Creating a working environment that promotes dignity and respect for every employee and provides support to staff when appropriate, for example during the pandemic or through life events.
- Not tolerating any form of intimidation, bullying, or harassment, and disciplining those that breach this policy.
- Ensuring that training, development and progression opportunities are available to all staff and are based on aptitude and ability.
- Promoting equality in the workplace.
- Encouraging anyone who feels they have been subject to discrimination to raise their concerns so that corrective measures can be applied.

Through our Diversity and Inclusion Committee the aim is to lead, guide and support the Bank's diversity and inclusion agenda to help create an environment and embed practices that support equal access to opportunities for professional growth and advancement. A summary of key areas of focus can be seen below:

- Diversity Recruitment- The Bank has started to roll out three new initiatives in support of the Diversity and Inclusion agenda with the aim of ensuring a fair and inclusive selection process and helping the Bank widen the pool of talent. The Bank has engaged with a talent acquisition company, Diverse Jobs Matter, which is led by experienced professionals with over 20 years' experience in this area. They work in supporting all underrepresented groups in the UK and they have a vacancies platform for employers committed to improving diversity and inclusion in their hiring process. In July 2021, recruiting managers attended an Inclusivity training programme which was aimed at increasing awareness and reducing bias. In September 2021, a trial project was set up to anonymise applications by removing the names of candidates from their CVs. This has been well received by hiring managers.

- Diversity and Inclusion Training- As part of our commitment to further increase our diversity and nurture our inclusive culture, a training plan for all employees and Board members has been initiated. The aim of the plan is to ensure that there is a targeted and thorough programme of education across all levels of the Bank. It focuses on a blend of external experts, online videos, eLearning and Human Resource training. In 2021 the Bank held an Inclusive Leadership session which covered unconscious bias, the concept of "fit" at the Bank and the role of senior leaders in creating inclusion and belonging within the culture.

- Wellbeing - We continue to offer a comprehensive range of workshops and events that help promote the health and wellbeing of our employees. Additionally we offer an Employee Assistance Programme, which provides the Bank's employees and their families with support when it is needed. There is also an online health portal that includes access to many useful health and wellbeing resources, including specific 4 week plans to help improve health and wellbeing.

- Smart Futures programme - As part of the Bank's sponsorship of the Smart Futures programme, the Bank sponsored 4 young individuals in a mentoring programme. The purpose of the programme is to access a diverse pool of young talent from deprived backgrounds, to increase social mobility and to increase the awareness of banking careers amongst participants. It gave the students the chance to get an insight into ethical lending, responsible borrowing and the pros and cons of lending. Feedback from the students was excellent and they all felt that they had been very welcomed and supported by staff at UTB.

- International Awareness and Culture Days- We celebrate diversity and are committed to creating an inclusive culture where all of our employees can feel proud to work for us. This lead to the decision for the Bank to celebrate by rolling out a series of culture days and international festivals including International Women's Day and Black History month. We hope this will continue to give all of our colleagues the chance to take part in improving and celebrating different ethnicity and backgrounds across the Bank.

- Gender Pay Gap- One way in which we review our progress on improving gender balance across the Bank is our focus on reducing our gender pay gap. We plan to start publishing gender pay gap results on our website in 2022.

- The Board- We also consider diversity within our Board membership where we value different skills, experience, background, race and gender. When filling Board positions, we ensure that we follow a rigorous selection process, as we do for all our recruitment. This is based on closing any identified skills gaps or areas where we anticipate additional expertise would be beneficial to support the Bank's plans, as well as aiming to complement and expand the skills, knowledge and experience of the Board as a whole.

- Reverse Mentoring- An initial reverse mentoring scheme has been set to go live for 2022. In this reverse mentoring scheme, a junior member of the Bank will enter into a mentoring partnership with a more senior member of staff where they will exchange skills, knowledge and understanding. Reverse mentoring can play an important role in bridging the gap between the generations currently in the workforce. We also hope that the scheme will provide our senior leadership with valuable insights into the real-life experiences of our minority ethnic colleagues.

3.2.2 Board Committees

The Board maintains ultimate responsibility for ensuring that an effective risk management framework is in place. The Board delegates certain powers for some matters to committees, which are set out below. The outputs from the committees are reported to the Board, ensuring that the Board retains the appropriate oversight. The main committees of the Bank's Board are:

Audit Committee

Committee size and composition

The Audit Committee comprises of three independent non-executive directors: Andrew Woosey (Chair), Sarah Laessig and Stephen Lockley. The qualifications of each of the members are outlined in the biographies on the Bank's website.

Committee Roles and Responsibilities

The Committee's roles and responsibilities include, amongst other things, the following:

- To review the draft Annual Report and Accounts of UTB and UTB Partners Limited ("UTBP") and make recommendations to the Board.
- To oversee the establishment of accounting policies and practices by the Bank and UTBP, and review the significant qualitative aspects of those accounting practices.
- To review the adequacy and effectiveness of financial and operational processes and controls taking into account the output of the Bank's Risk Committee.
- To review the results of any relevant reviews, investigations or studies of bank activities by the FCA/PRA, or other regulatory bodies.
- To meet with the Bank's and UTBP's External Auditor and discuss the nature and scope of the audit.
- Assess the independence and objectivity of the external auditor annually by taking into consideration relevant UK law, regulation and professional requirements.
- Reviews the appointment of external auditors at intervals of not more than three years and approves the audit fees.
- To review any proposals for the External Auditor to undertake non-audit work, which may only be arranged with the prior agreement of the Audit Committee and in accordance with the Bank's non-audit services policy.
- To monitor and review the effectiveness of the Internal Audit function including its independence and objectivity.
- To review and approve the Internal Audit plan and budget.
- To review audit reports from the Head of Internal Audit and management responses to the Internal Auditor's findings and recommendations.
- To consider whether the Internal Audit function is adequately and sufficiently resourced.
- To obtain an independent and objective external assessment of the Internal Audit function at appropriate intervals (this was satisfactorily completed during 2021).
- To carry out an annual assessment of the Internal Audit function and the External Auditor.
- Review the effectiveness of the Bank's internal controls and examines completed internal and external audit reports.

- To consider the major internal and external audit findings and ensures, via management, that recommendations are implemented and reported to the Board where necessary.
- Significant judgements and accounting policies in relation to financial reporting are reviewed and challenged by the committee.
- Ensures the financial statements give a true and fair view and provide the reader with sufficient information to assess the Bank’s performance.

Audit Committee 2021 Key Activities

- Assessment of audit firms as part of the 2021 audit tender process and proposing to the Board two potential external auditors for appointment for the financial year 2022.
- Review of accounting policies and accounting methodologies where there have been significant changes or where they are particularly material and require annual review.
- Review of the Bank’s project and approach to climate change by the independent co-source partner within the 2021 internal audit plan.
- Satisfactory completion of the five yearly External Quality Assurance (EQA) assessment of the IA function by an independent party.
- Challenge of key accounting judgements, in patricular for any new significant transactions, and of key estimates, in patricular loan loss provisioning.

Risk Committee

Committee size and composition

The Risk Committee comprises three independent non-executive directors, Stephen Lockley (Chair), Maria Harris and Andrew Woosey, plus Andrew Herd, a non-executive director who has been on the board for over 17 years. Other directors, including the Deputy Chair, Graham Davin, and senior members of staff attend the committee meetings. The relevant experience and qualifications of each of the committee members are outlined in the biographies on the Bank’s website.

Committee Roles and Responsibilities

The Committee plays an important role in setting the tone and culture that promotes effective risk management across the Bank. Its other key responsibilities include:

- Responsibility for advising the Board on the effectiveness of the Bank’s risk management framework, to ensure that key risks are identified, monitored and appropriately managed.
- Reviewing and monitoring the Bank’s risk profile relative to current and future strategy through a continuous process of identification, evaluation and management of all material risks.
- Reviewing and monitoring the appropriateness of the Bank’s risk appetite, any emerging risks and risk trends, concentrations of exposures and any requirements for policy change.
- Reviewing, challenging and recommending to the Board for approval, the risk appetite, risk measures and risk limits, taking into account the Bank’s capital adequacy (ICAAP), liquidity adequacy (ILAAP), recovery capacity, operational capabilities and the external environment.
- Identifying, considering, overseeing, challenging and advising the Board on the Bank’s exposure to all significant risks to the business.

Risk Committee 2021 Key Activities

- Review of Risk Management Framework which has been reviewed and enhanced during the year. The management of risk within the context of the framework has been strengthened by the recruitment and development of additional skills within the risk department.
- Strong focus on the external environment, particularly credit risk, the quality of the loan portfolio, capital and liquidity management, operational resilience, cyber threats, and governance of third party risk.
- Climate change risk has been reviewed by the Risk Committees and good progress has been made in understanding the physical and transitional risks the Bank faces.

Remuneration Committee

Committee size and composition

The Remuneration Committee comprises of two independent non-executive directors, Sarah Laessig and Richard Murley who chairs the Committee, and the Board Deputy Chair Graham Davin. The qualifications of each of the members are outlined in the biographies on the Bank's website.

Committee Roles and Responsibilities

- Consider remuneration policy for all staff and specifically to approve the remuneration and other terms of service of Executive Directors, Senior Management Function staff and Material Risk Takers.
- Ensure that remuneration is structured so as to link rewards to corporate and individual performance, equal pay and is designed to promote the long-term success of the Company.
- Provide a framework to attract, retain, develop and motivate employees to achieve their goals and the objectives of the Bank within its stated risk appetite and risk management framework.
- Ensure the remuneration policy is in accordance with the regulatory framework as set out in the Remuneration Code.

Remuneration Committee 2021 Key Activities

As always the Remuneration Committee assessed the following in order to determine the remuneration of Executive Directors;

- Maintain a fair balance between the interests of different stakeholders.
- Encourage and reward the behaviours that continue to reflect the Bank's purpose and culture.
- Ensure that performance is judged against objectives, including considering where the Remuneration Committee should apply discretion when making any specific amendments.

Additionally the Remuneration Committee has focused on:

- Overseeing the work on gender pay gap reporting which the Bank will be publishing on the company website for the first time in April 2022.
- Overseeing processes and initiatives that are linked to remuneration (directly or indirectly) including talent management, leadership development and Diversity and Inclusion.

3.2.3 Other Bank Committees

The Bank has established risk management policies that aim to identify the risks faced by the Bank, to set appropriate risk limits in line with the Bank's risk appetite, to establish operational procedures and controls, and to monitor adherence to the limits. Management committees including the Credit, Operations, Compliance and Asset and Liability Committees ("ALCO") are responsible for monitoring key risks. The Chief Risk Officer is responsible for overseeing all aspects of risk management policy within the Bank, including its implementation and effectiveness. Full details of these committees can be found in the Bank's Annual Report and Accounts at www.utbank.co.uk.

3.3 Key risks and uncertainties

Management and the Board carry out regular and ongoing reviews of the main risks and uncertainties facing UTB. The key risk categories are those risks which could threaten the achievement of the Bank's strategic objectives, its business model or financial performance. They are determined by management and the Board with the aid of the corporate risk register. For each key risk category, a risk appetite is defined and the Bank's exposure to this risk category is managed and reported against the defined appetite.

Details of the key risks, their mitigation and changes in risk profile during 2021 are provided below:

Business performance and strategic risk

The risk arising from changes in the business environment, UTB's business model and improper implementation of the Bank's strategy and business decisions
Mitigation • Well established planning, budgeting and stress testing processes • Regular reporting of performance against budget • Monitoring of economic metrics, developments, industries and economic outlook • Annual review and update of the business plan • Regular assessment of risks inherent in strategic decisions
Update on risk profile in 2021 The Bank continued to achieve its strategic and business objectives but within an external environment of continuing heightened risk. 2021 began in an environment heavily influenced by two key developments in December 2020: 1. The UK Government re-introduced a number of restrictions on movement and activity in response to an increase in Covid-19 infections. This drove a reduction in UK economic activity in Q1, with the impact spread unevenly across different sectors of the economy. 2. The EU-UK Trade & Co-operation Agreement was signed at the end of the one-year transition period following the UK's departure from the EU. This removed the threat of a disruptive "no-deal" exit from the EU, although a number of key areas of the economy, such as services, are not covered by the agreement. A number of government support schemes were extended during 2021, including the Coronavirus Business Interruption Scheme ("CBILS"), the Coronavirus Job Retention Scheme and stamp duty concessions on residential purchases. Government support schemes, accommodative monetary policy and an imbalance between supply and demand in the housing market has led to strongly rising house prices since mid-2020. UTB's strategic plan was therefore implemented in an environment which supported strong loan originations. This was enhanced by the progressive removal of restrictive credit policy settings introduced at the start of the pandemic. However, the same external factors also contributed to higher than forecast loan repayment levels in the Bank's property portfolios during the first half of the year.

Net loan book growth during 2021 has consequently been skewed away from the Bank's property lending units (Bridging, Structured and Development Finance) and towards the asset finance and consumer lending divisions (Mortgages and Asset Finance). This is the opposite of the pattern seen during much of 2020, although in alignment with the Bank's overall strategic plans. During the latter half of 2021, supply chain issues have become more evident, reflecting global trends as economic activity recovers and contributing to increased inflationary pressures.

The growth in the lending portfolio has been funded within strategy by a corresponding growth in deposit balances and drawings from the TFSME scheme. The Deposits business unit continues to benefit from more efficient processes and closely co-ordinates deposit-raising activities with lending unit cashflow projections.

In early 2021, UTB took a strategic decision to discontinue originations in Motor Finance. The small remaining Motor Finance portfolio, which stands at £4.1m, is now in run-off.

The risk of cyber-attacks on businesses has increased during the pandemic, partly because of the increase in remote working, and UTB has continued to enhance its cyber defences.

As the economy recovers from the initial impact of the pandemic, skilled labour shortages have become apparent, including in financial services. Staff retention and recruitment is therefore considered an increasing risk for the Bank.

Capital risk

The risk of having insufficient capital to meet regulatory requirements and to support the Bank's business plan

Mitigation

- The Bank maintains a prudent capital base and has a consistent record of profitability
- Regular stress testing and forward looking management of capital requirements
- Annual assessment of capital adequacy through the ICAAP process
- Maintenance of prudent levels of capital buffers
- Active monitoring of changing regulatory requirements

Update on risk profile in 2021

The Bank continued to maintain a prudent level and mix of capital resources.

UTB maintained its capital ratios in excess of regulatory requirements throughout 2021. At 31 December 2021, the CET1 ratio was 12.7% (2020: 11.4%) and the total capital ratio was 16.2% (2020: 15.4%).

The Bank paid a total of £12m of dividends during 2021. £4m of Tier 2 capital was redeemed, as planned, at the end of October 2021.

UTB used a number of government-backed lending schemes during 2021, including the Coronavirus Business Interruption Scheme (CBILS), the Recovery Loan Scheme (RLS) and the Enable Guarantee scheme. These schemes all provide the Bank with a capital benefit.

The Bank of England has announced that the counter-cyclical buffer will return to 1% in December 2022, having been reduced to 0% in March 2020, with the expectation of a subsequent increase to 2% in the second quarter of 2023.

Liquidity and funding risk

The risk of the Bank being unable to meet its obligations as they fall due or do so only at excessive cost.

Mitigation

- The Bank is funded through the stable retail deposit market, with most deposits covered by the Financial Services Compensation Scheme, and the TFSME scheme.
- Regular liquidity scenario analysis and stress testing performed and forward looking management of liquidity requirements
- Annual assessment of liquidity adequacy through the ILAAP process. The Bank manages its liquidity in alignment with internal and regulatory requirements
- Maintenance of prudent levels of liquidity
- Established policies and detailed limits to manage liquidity risks
- Diverse funding profile
- Limited wholesale funding (TFSME and capital instruments)
- Access to the Discount Window Facility
- The Board approves UTB's liquidity risk management strategy and ALCO meets at least monthly to review liquidity risk in comparison with appetite and early warning indicators
- Liquidity metrics are monitored daily by Treasury and the Bank's senior management

Update on risk profile in 2021

The Bank maintained a stable funding base and prudent levels of liquidity.

UTB's liquidity position continued to be well managed during 2021 and the liquidity cover ratio remained within normal levels. We experienced strong repayments during the first half of 2021, mainly driven by the buoyant housing market, and although there was strong growth in the level of committed loans, a slowdown in the drawdown of these loans combined with the high repayment levels resulted in higher than expected liquidity at times.

In March 2020, in response to the Covid-19 pandemic, the Bank of England ("BoE") launched the Term Funding Scheme with additional incentives for SMEs ("TFSME"). Participation in the TFSME requires UTB to preposition collateral with the BoE in order to draw funds from the scheme. The end date for drawing from the scheme was extended during 2021 to 31 October 2021. Drawings are for 4 years.

During 2021, the Bank made plans to increase the funding available from the TFSME by utilising the current Asset Finance collateral and adding the growing portfolio of first charge mortgages as collateral. The process of placing the Mortgage collateral is ongoing. In the interim, UTB drew additional TFSME funding by using UK Government debt as collateral. In order to accomplish this, UTB purchased £221m of Gilts and Bills. In time, it is planned that the Bank’s full drawing under the TFSME is expected to be fully collateralised by the Asset Finance and First Charge Mortgage Books.

Credit risk

The risk of financial loss from borrowers who are unable or unwilling to meet their financial obligations in full when due (including concentration risk to groups of borrowers, industry sectors or geographic regions)
Mitigation • The Bank operates in markets of which it has a good understanding and significant expertise • Established policies and procedures that are regularly reviewed and updated • Diversified and fully secured exposures • Well defined risk-based delegated underwriting authorities • Verified borrower credit worthiness and track record • Regular review of portfolio performance and risk appetite • Forward looking assessment of market dynamics • Conservative lending criteria expressed through credit risk rating scores • Established detailed limits to manage exposures including concentration risks
Update on risk profile in 2021 The disruption caused by the Covid-19 pandemic on the external market continued during 2021, although the nature of the disruption and risks evolved during the course of the year. Government support schemes and a strong housing market supported growth and credit quality in much of the Bank’s portfolio. Supply chain challenges and rising inflation have emerged as increasing risks during the second half of the year. Tail risk for the whole portfolio (i.e. higher risk credit exposures) is one of UTB’s key credit risk metrics. It has remained well within the Board’s appetite throughout the year. Loan loss provision charges decreased during 2021, with a total provisions charge of £6.5m for the year ended 31 December 2021, compared with £13.5m in 2020. The charge was mainly the result of a small number of specific provisions on historic exposures in Development Finance, and one larger exposure in the Asset Finance portfolio. Credit Policy parameters were tightened across all lending types at the end of March 2020 in response to the Covid-19 pandemic, with further restrictions were placed on lending appetite in May 2020. During 2021, these more restrictive policy and appetite parameters have been progressively removed, with credit policy settings largely returned to pre-Covid-19 levels.

High levels of loan repayments during the first half of 2021 constrained loan book growth, notwithstanding strong originations. Growth resumed in the second half of the year and UTB's loan balances increased by £162m in the year to £1.8bn.

Market Risk

For UTB Market Risk is primarily limited to interest rate risk, namely the potential adverse impact arising from interest rate changes and the use of different reference rates for pricing assets and liabilities.
Mitigation • Regular ALCO meetings to review the structure of the balance sheet and the results of interest rate stress testing • Management of interest rate risk through careful management of the repricing profile of assets and liabilities • Management of basis risk through the management of the structure of the balance sheet
Update on risk profile in 2021 UTB has no material exposure to foreign currencies or to foreign exchange risk. The Board approved an increased risk appetite for interest rate risk during 2021, primarily to accommodate the effect of the increased use of the TFSME scheme, discussed in the Liquidity and Funding risk section above, which is floating rate funding. The Bank is reviewing the feasibility of using swaps as an additional tool to manage interest rate risk, particularly given the increasing size of the Bank's balance sheet. However, swaps have not been used to date.

Operational Risk

The risk of loss arising from inadequate or failed processes, people and systems or from external events.
Mitigation • Established policies and procedures that are regularly reviewed and updated • Experienced staff employed • Formal and on the job training provided • Ongoing Risk Control Self-Assessment process to ensure that risks are identified and managed effectively • Independent assurance testing • Regular risk incident reporting • Specialist cyber risk tools deployed across the Bank • Phishing and cyber training provided to all staff • Established and tested Disaster Recovery and Business Continuity Plan arrangements

Update on risk profile in 2021

Inherent operational risk is considered to have remained heightened during 2021 given the ongoing impact of the Covid-19 pandemic on operational processes and an external environment in which cyber-risk is elevated. UTB's residual operational risk has remained well-controlled and within risk appetite. The Bank continues to be vigilant and closely monitors threats of cybercrime, using a suite of both preventative and detective measures.

In March 2021 the PRA published SS1/21 ("Operational resilience: Impact tolerances for important business services") and SS2/21 ("Outsourcing and third party risk management"). UTB has identified its important business services, mapped processes, systems, people and outsourcing vulnerabilities and provisionally set impact tolerances in accordance with SS1/21. In addition, a comprehensive review of third party suppliers was carried out and an outsourcing register created during 2021, in accordance with SS2/21.

During 2021, work has been ongoing to embed operational resilience into first line business units. Governance of operational management has been consolidated during 2021, with the appointment of a Chief Technology Officer to whom the heads of IT, Business Transformation and Change all report. The Risk division provides second line oversight of operations and key change projects. Testing of operational controls continued in 2021 and Compliance Monitoring Reviews incorporate an element of operational control testing.

The Change Management Committee, chaired by the Chief Technology Officer, was created in 2021 to ensure consistent governance and prioritisation of key change projects.

Conduct & compliance risk

The risk of financial loss, regulatory sanctions, or loss of reputation as a result of failure to comply with applicable laws and regulations and standards of good practice, including the risk of poor outcomes for customers.

Mitigation

- Regular monitoring of risks by the Compliance and Conduct Management Committee
- Effective horizon scanning process to identify regulatory change
- Straight forward and uncomplicated products
- Regular monitoring of customer outcomes through assurance testing and compliance reviews
- Regular culture and conduct risk reporting
- Regular staff training provided
- Established processes for anti-money laundering, sanctions and fraud checking at relationship inception and in-life
- Established Data Protection Framework

Update on risk profile in 2021

The Bank continues to offer straightforward and uncomplicated products and to conduct regular monitoring of customer outcomes. Staff awareness training is regularly updated in key areas of conduct and compliance, including anti-money laundering, data protection and conduct. As such, conduct and compliance risk is assessed as stable.

The Bank has implemented change in the following areas during 2021 in response to regulatory consultation, guidance and policy statements:

- Payment Deferral Guidance
- Vulnerability Guidance
- CRD V Remuneration (Material Risk Takers)
- Breathing Space Legislation
- CCA Default Amendments

In addition, during 2021, the Risk division reviewed a number of regulatory consultation and discussion papers, in anticipation that these could be followed by regulatory change during 2022, and co-ordinated the Bank's response to a number of routine Information Requests from the FCA which were not specific to UTB

EMERGING RISKS

In addition to the risks described above, the Board also considers emerging risks, those forward-looking risks whose impact and/or likelihood cannot be readily quantified. Specific emerging risks include:

Covid-19

The Covid-19 pandemic continued to evolve during 2021. Notwithstanding the success of vaccination programmes and other public health measures, the uncertain future evolution of the pandemic, including the emergence of new, vaccine-resistant strains of the virus, means that this will remain a source of risk and uncertainty in 2022. The domestic and global economies have been supported by significant government intervention during 2020 and 2021. The risk to economic growth as support is unwound, together with the more limited financial capacity of governments to repeat intervention on this scale, brings an additional level of uncertainty to growth prospects in 2022. This is particularly the case should a further wave of infections drive further social and economic restrictions or generate greater caution on the part of businesses and consumers.

Supply chains: materials and labour

During 2021, a number of factors contributed to supply chain bottlenecks and shortages. A key driver was the re-emergence of demand following the first phase of the Covid-19 pandemic. The ongoing disruption to global supply chains due to social and economic restrictions, and bottlenecks in global transport systems, especially container shipping and UK road haulage, created materials shortages and price increases for many of UTB's customers. In particular, this affected supplies and prices of raw materials and finished goods used in the construction sector and the supply of equipment such as vehicles. This had a consequent impact in terms of prices and delays on UTB business divisions such as Property Development and Asset Finance. A degree of disruption in materials supply chains is expected to continue during 2022.

Labour markets have also been affected by the pandemic, as well as by UK-specific factors such as the UK's departure from the EU. A number of UTB's borrowers have experienced difficulties in recruiting certain categories of skilled labour, with consequent effects on business performance, timely completion of projects and costs. The financial services sector has also experienced skills shortages and consequent wage inflation, which may affect UTB more directly. Skilled labour supply constraints are expected to be of longer duration than disruptions to materials supply chains, bringing a level of medium term uncertainty for business planning.

Inflation and interest rates

The supply chain factors noted above have contributed to rising rates of CPI inflation. As well as the direct impact on the Bank's customers, sustained increases in inflation are likely to drive higher interest rates. The Bank of England raised its Base Rate by 15 basis points in December 2021 and a further 25 basis points in February 2022. The Monetary Policy Committee has indicated that it will continue to monitor and respond to evidence of sustained underlying inflationary pressures. The flow-on effect on prices across a range of asset classes, including, most significantly for UTB, residential property prices, is a key horizon risk in 2022.

International trade and geo-political tensions

At the end of 2021, there are several potential global flash points for military confrontation which could have ramifications beyond the immediate conflict zone. Should such a conflict occur, the economic effect on global supply chains, asset prices and other indicators could be significant, amplified by the ongoing impact of the Covid-19 pandemic.

International trade tensions are also a prospective risk in 2022. For the UK, the implications of the UK's departure from the EU are still emerging and potential disruption to domestic supply chains and labour markets is expected to remain an elevated risk.

Cyber crime

The Bank may be subject to cyber incidents and the external threat and likelihood of such incidents is considered to have increased during 2020 and 2021, partly because of the changes to working practices and technology use during the Covid-19 pandemic. A successful cyber-attack on the Bank could potentially disrupt customer service levels and cause reputational damage. The Bank continues to evolve and strengthen its cyber defences and operational resilience, in addition to raising staff awareness of the risk.

Climate change

Climate change risks include the financial, operational and reputational risks arising due to climate and weather-related events and the political and social response to this threat. During 2021, the Bank established a Climate Change committee to oversee analysis and assessment of the risks posed to the Bank. As part of this assessment, the Bank conducted scenario analysis, considering physical and transitional climate change risk and aligned to scenarios proposed by the Bank of England and by the NGFS (Network of Central Banks and Supervisors for Greening the Financial System). This analysis concluded that while climate change should be reflected in UTB's approach to risk management and strategy as an emerging risk, it is not a material prudential risk for the Bank in the near term. UTB has also established a project to begin capturing climate change-related data at customer level to improve progressively the Bank's awareness and risk management of climate change risk in the lending portfolio.

4. Capital resources

As at 31 December 2021, and throughout the period to 31 December 2021, the Group maintained its capital resources at a level above the minimum capital adequacy requirements.

4.1. Eligible Capital Resources

The Eligible Capital Resources of the Group:

Tier 1	**% of Total**	**31 December 2021 £'000**	**% of Total**	**31 December 2020 £'000**	**% Growth**
Share Capital		5,009		4,897	
Share Premium		31,947		22,059	
Profit and Loss Account		139,735		118,169	
Less Intangible Assets		(2,506)		(2,346)	
Less Other Deductions		(6,750)		(6,748)	
Other Reserves		3,350		2,589	
Total CET 1	78.3%	**170,785**	72.8%	**138,620**	23.2%
Additional Tier 1		16,851		16,851	
Total Tier 1	86.0%	**187,636**	81.6%	**155,471**	20.7%
Tier 2					
Subordinated Loans		28,738		32,706	
Collective Impairments		1,812		1,772	
Total Tier 2	14.0%	**30,550**	18.2%	**34,478**	-11.4%
Eligible Capital	100.00%	**218,186**	100.00%	**189,949**	14.9%

Deferred Tax:

In accordance with Article 48 of the Capital Requirements Regulation ("CRR"), the Group's deferred tax asset of £2,734k is not deducted from Eligible Capital.

Additional Tier 1 Capital:

Additional Tier 1 consists of 2 tranches of Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities ("AT1 Securities"), issued in 2015 and 2017.

The 2015 Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities ("AT1 Securities") bore interest at an initial rate of 11.85% per annum until 31 July 2020 and thereafter reset annually at a fixed margin over the 1-year mid-swap rate as provided in the Securities Certificate. They currently pay interest at a rate of 11.78%.

The 2017 AT1 Securities bear interest at an initial rate of 10.375% per annum until 30 November 2022 and thereafter reset annually at a fixed margin over the 1-year mid-swap rate as provided in the Securities Certificate.

The AT1 Securities are convertible into ordinary shares of the Company in the event of the Bank's CET1 ratio falling below 7 per cent.

Tier 2 Subordinated Debt:

The balance on the 2016 subordinated debt was redeemed in 2021.

The 2019 subordinated debt bears interest at 7.5% payable semi-annually and is callable at the Bank's option from 30 September 2024, with a final redemption date of 31 March 2030.

The 2020 subordinated debt bears interest at 9.0% payable annually and is callable at the Bank's option from 30 November 2025, with a final redemption date of 31 May 2031.

4.2. Leverage Ratio Disclosures

The tables in Appendix 2 summarise the leverage ratio disclosures, as required by CRD IV, as at 31 December 2021.

The Group operates within an acceptable range for leverage. It manages its exposures and monitors leverage to ensure that it remains within this range.

The leverage ratio has remained relatively stable throughout the year with no significant movements, except when audited profit were recognised.

4.3. Return on Assets

The Group's return on assets was 1.7% in the year to 31 December 2021 (2020: 1.4%).

4.4. Encumbered Assets

The Group encumbers assets through placing certain loans and debt securities as collateral to support access to the Bank of England's Term Funding for SMEs and Discount Window Facility. Details can be seen in Appendix 3 - Asset Encumbrance Template.

5. Capital adequacy

The Group maintains a strong capital base to support its lending activities and to comply with its capital requirements and Total Capital Requirement ("TCR") at all times.

Capital adequacy is monitored by the UTBP Board, the Bank's Board and executive management, and is reported to the PRA on a quarterly basis. Capital forecasts, covering a 3-year period, are prepared on an annual basis as part of the Bank's annual budgeting cycle. During the year, additional re-forecasts are also reviewed by the Bank's Board to take into account the effects of events that were not reflected in the original budgets.

5.1. Internal Capital Adequacy Assessment Process

On an annual basis, the Bank undertakes an Internal Capital Adequacy Assessment Process ("ICAAP") which is an internal assessment of its and the Group's capital needs. This internal process is designed to consider all material risks which the Group faces and determines whether additional capital is required to ensure the Group and Bank are adequately capitalised.

Included within the ICAAP are capital projections, which reflect not only the Group's chosen strategy and potential growth prospects, but also the results of a range of stress tests of these plans. This process is designed to ensure that adequate capital is retained by the Group to meet not only its current requirements, but also to cover the medium term and requirements in less benign markets. The ICAAP therefore represents the view of management and the Board, of the risks faced by the Group and the appropriate amount of capital that the Group should hold to protect against those risks.

5.2. Pillar 1 capital requirement

The Pillar 1 capital requirement, determined in accordance with the rules contained within Basel 3 as applied to the Group, consists of the following components:

Credit risk capital requirement – the Group has adopted the standardised approach to determine its Pillar 1 credit risk capital. This involves the application of standard rates to each exposure class.

Operational risk capital requirement – the Group has adopted the basic indicator approach to determine its Pillar 1 operational risk capital. This calculation is based on the Group's operating income for the past three years.

Market risk capital requirement– the Group does not have a trading book and as such its exposure to market risk is immaterial.

The table below sets out the Group's Pillar 1 capital requirements as at 31 December 2021 determined in accordance with CRD IV:

Description	**Main Components**	**8% Capital Required* £000's**
Central Government or central banks	• BoE Reserve Account	0
Institutions	• Cash placed with financial institutions	377
Retail	• Secured & Unsecured Lending	9,482
- *Of which: SME*	• *Secured & Unsecured Lending*	*9,049*
Secured by mortgages on immovable properties	• Property Lending	38,982
- *Of which: SME*	• *Property Lending*	*17,998*
Exposures in default	• Property Lending	1,263
Items associated with particular high risk	• Property Lending	43,890
- *Of which: SME*	• *Property Lending*	*42,650*
Other items	• Sundry Debtors and Fixed Assets	1,286
Credit risk minimum Pillar 1 capital requirement		95,280
Operational risk Pillar 1 capital requirement (*basic indicator approach*)		11,953
Pillar 1 capital requirement		**107,233**
Of which: Tier 1		80,425
Tier 2		26,808
Capital resources (refer to section 4.1)		
Tier 1 capital resources		187,636
Tier 2 capital resources		30,550
Total capital resources		**218,186**
Surplus of capital resources over Pillar 1 capital requirement		
Tier 1 capital surplus		107,211
Tier 2 capital surplus		3,742
Total surplus capital resources over Pillar 1 capital requirement		**110,953**

* Net of the effects of the BBB Enable Guarantee (see section 7).

The Group benefits from a surplus of capital resources over and above its Pillar 1 regulatory capital requirement. The Group's Common Equity Tier 1 ("CET1") ratio at 31 December 2021 was 12.7% (2020: 11.4%) and total capital ratio was 16.3% (2020: 15.4%).

The Group is also required to hold additional capital in the form of a Group specific add-on (Pillar 2A), which is part of its Total Capital Requirement, and also regulatory buffers which include a Capital Conservation Buffer ("CCB") and, at times, a Countercyclical Buffer ("CCyB"). The CCyB requirement has remained at 0% since the Bank of England reduced it in response to the Covid-19 pandemic. The BoE has recently announced that the CCyB will increase to 1% in December 2022, with the expectation of a subsequent increase to 2% in the second quarter of 2023. The CCyB is in addition to the Capital Conservation Buffer of 2.5%. At the end of 2021, the total amount of capital committed to the 2.5% (2020: 2.5%) combined buffers, which apply to all banks in the UK, was £34m (2020: £32m).

Pillar 2A must be met by a minimum of 75% Tier 1 capital and no more than 25% Tier 2 capital. Regulatory buffers must be met by CET1 Capital. The Group's Total Capital Requirement (TCR), excluding regulatory buffers, is 9.00% (2020: 9.00%).

6. Credit risk exposures

6.1. Summary of the Group's credit risk exposures

The table below summarises the regulatory credit risk exposure at 31 December 2021:

Description	**Exposures at 31 December 2021* £000**	**Average Exposures Year to 31 December 2021* £000**
Central governments or central banks	531,262	341,385
Institutions	23,577	33,595
Retail	205,070	173,231
Of which: SME	*197,847*	*160,559*
Secured by mortgages on immovable properties**	1,459,388	1,388,231
Of which: SME	*749,821*	*727,619*
Exposures in default	21,708	30,348
Other items	13,770	14,430
	2,254,775	**1,981,220**

* Includes exposures covered by the BBB Enable Guarantee (see section 7).

** Includes 'items associated with particular high risk'

At 31 December 2021, the Group's "Loans secured by mortgages on immovable properties" were predominantly to customers within the United Kingdom. All loans in this exposure class are secured by properties within the United Kingdom. All other exposure classes are to customers within the United Kingdom. As such we have not disclosed the above table by geographic area.

In order to help support its customers, the Bank joined the UK Government's Coronavirus Business Interruption Loan Scheme ("CBILS"). The CBILS scheme is a guarantee for eligible property loans and the Bank agreed a portfolio size of £200m with the British Business Bank. At the end of 2021 CBILS loan balances were £134m.

The residual maturity of these exposures at 31 December 2021 is shown below:

Description	**Up to 1 year £'000**	**1-5 years £'000**	**More than 5 years £'000**	**Non-interest bearing £'000**	**Total £'000**
Central governments or central banks	473,728	57,534	-	-	531,262
Institutions	23,577	-	-	-	23,577
Retail	63,119	139,155	2,796	-	205,070
Secured by mortgages on immovable properties	498,573	556,712	404,103	-	1,459,388
Exposures in default	10,981	2,789	7,938	-	21,708
Other items	-	-	-	13,770	13,770
	1,069,978	756,190	414,837	13,770	2,254,775

Loans and advances to customers are reviewed regularly to determine if there is any evidence of impairment. The distribution of loans and advances as at 31 December 2021 by credit quality is shown below. For the purpose of reporting, 'past due but not impaired' relate to loans that are in arrears, but the loan does not meet the definition of an impaired asset as the expected recoverable amount exceeds the carrying amount.

	At 31 December 2021		**At 31 December 2020**	
	Loans and advances to customers £'000	**Loans and advances to banks £'000**	**Loans and advances to customers £'000**	**Loans and advances to banks £'000**
Neither past due nor impaired	1,764,368	205,947	1,572,675	205,464
Past due but not impaired:				
Loans and receivables at amortised cost:				
- Less than three months	14,406	-	17,276	-
- Three to twelve months	2,977	-	4,024	-
- One to five years	1,911	-	6,866	-
Forbearance	13,272		16,697	
Impaired	10,318	-	4,858	-
Repossessions	10,638	-	32,828	-
Less: provisions	(9,283)	-	(8,902)	-
	1,808,607	205,947	1,646,322	205,464

All lending exposure is to the UK, and as such we have not disclosed the above table by geographic area.

The past due loans are subject to close oversight. In the main they relate to transactions that have reached maturity and the Group has decided not to extend the facility, albeit the loan to value remains acceptable.

6.2. Provisioning Policy

The purpose of this section is to provide more detail in relation to the Group's credit risk profile and specifically those loans where there may be doubt as to whether the amount loaned will be recovered in full.

The Group prepares its financial statements in accordance with the Financial Reporting Standards 102 ("FRS 102") issued by the Financial Reporting Council. Thus, it is required to make individual impairments against bad or doubtful debts such that the carrying value of each loan is no higher than the present value of the future cash flows that the Group expects to recover.

Bad debts are defined as those accounts that are in default and where the Group has crystallised a loss on the account.

Doubtful debts are defined as those accounts where the full recovery of the balance is not considered probable, either as a result of a client falling behind their repayment schedule, or more likely in the case of both development and bridging finance, the value of the security is impaired. Such impairment would therefore result in a shortfall between the discounted future cash flows and the customers balance outstanding.

Individual impairments have been made against all bad and doubtful debts, based on the expected loss measured on a case by case basis. Loans and advances are written off to the extent that there is no longer any realistic prospect of recovery.

Additionally the Group's experience in credit markets confirms its view that there are inherent unforeseen losses in any loan portfolio. Consequently the Group makes a collective impairment as a percentage of loan assets (which varies by type of loan and experience) on its balance sheet to cover these unforeseen losses.

The following sections explain how these general principles are applied in relation to the Group's asset portfolios.

6.3. Provision for impairment losses

6.3.1 Loans & Advances Movement	**2021 Individual £'000**	**2021 Collective £'000**	**2021 Total £'000**	**2020 Individual £'000**	**2020 Collective £'000**	**2020 Total £'000**
At 1 January	7,130	1,772	8,902	5,378	1,081	6,459
Charge	7,415	40	7,455	13,245	691	13,936
Released	(746)	-	(746)	-	-	-
Utilised during the year	(6,238)	-	(6,238)	(11,493)	-	(11,493)
At 31 December	7,471	1,812	9,283	7,130	1,772	8,902

6.3.2 Impairment losses taken to income statement	**2021 £'000**	**2020 £'000**
Individual impairments	6,669	13,245
Collective impairment	40	691
Unwind of discounting and Recovery of loans previously written off	(254)	(471)
	6,455	13,465

6.4. Credit risk management

For all property lending, the Group takes security in the form of legal charges over the property against which funds are advanced and where appropriate guarantees are taken from the principal beneficiaries of the transactions being financed. These are the primary methods used by the Group to mitigate credit risk. Each security is valued at inception by a qualified surveyor. In isolated cases, the Group may also hold cash collateral in relation to certain residual liabilities associated with a development scheme. For Asset Finance and Motor Finance agreements the Group has a charge over the assets financed and/or where appropriate guarantees are taken from the borrower or company directors. The Group does not use derivatives or other financial instruments as a means of mitigating credit risk.

7. Exposure to Securitisation Positions: Enable Guarantee

The Group has in place an Enable Guarantee with the British Business Bank. The British Business Bank is a state-owned economic development bank established by the UK Government. Its aim is to increase the supply of credit to small and medium size enterprises as well as providing business advice services. The Enable Guarantee provides unfunded credit protection for qualifying loans within the Group's property development loan book. Its effect is to partially offset the Group's exposure to qualifying loans; the Group remains exposed to the unguaranteed portion and to a 'first loss' element of the guaranteed portion. This latter exposure constitutes a synthetic securitisation position under the CRR. The guarantee improves the Group's capital efficiency and increases the Group's capacity to fund SME housebuilders in the UK.

The guarantee covers loans originated by the Group which meet certain criteria including: the risk profile, loan size, purpose of the loan and the nature of the borrower. The guarantee was first entered into in October 2017 and became effective in 2018 when certain size and diversification criteria had been reached. It was extended in March 2021. Qualifying newly originated loans are added to the guarantee portfolio up to a maximum aggregate facility amount of £250m. The guarantee contains provisions that mean that new qualifying loans may not be added in the event of defaults occurring within the guaranteed portfolio. The guarantee can be terminated via a clean-up call, once the aggregate value of the remaining facilities falls below 10% of the maximum facility limit.

Loans covered by the guarantee are monitored in the same way as unguaranteed loans provided by the Group, and in the event of a default, the Group would undertake the same recovery procedures for guaranteed loans as for unguaranteed loans.

The guarantor under the guarantee is the UK Government. As a consequence the risk weighting of the guarantee exposure is 0% under Article 114(4) of the CRR which is applied to the value of guaranteed facility of each loan, including undrawn amounts. The synthetic securitisation position is deducted from Own Funds in accordance with Article 244(2)(b) of the CRR. The amount deducted at year end was £6.7m (2020: £6.7m).

The accounting for the guarantee protection is off balance sheet and the full originated loan exposure remains on balance sheet. The fees paid for the guarantee are included within operating expenses within the income statement.

The total amount of outstanding exposures under the guarantee at year end (being the guaranteed portion of the qualifying loans) was £51.1m (2020: £72.6m).

At the year end, no loans covered by the guarantee were impaired (2020: nil). No losses were recognised in respect of these loans.

8. Remuneration

This remuneration disclosure is a requirement under Article 450 of the CRR.

The disclosure below covers remuneration policies and practices for categories of staff whose professional activities have a material impact on the Group's risk profile (Material Risk Takers ("MRTs")), and staff who hold Significant Management Functions ("SMFs"), in accordance with the requirements set out by the regulatory authorities. The Remuneration part of CRD V amended the requirements as from 29 December 2020, in respect of complete financial years ending after that date. Accordingly, the new requirements took effect for the period 1 January 2021 to 31 Decemeber 2021.

8.1. Decision making process

The Remuneration Committee of the Group is responsible for governance of remuneration on behalf of the Bank's Board. The Committee currently comprises the following non-executive directors:

- Richard Murley (Chair)
- Sarah Laessig
- Graham Davin (appointed 17 February 2021)

The Committee met three times during the financial year 2021. The Committee holds a minimum of two meetings in each financial year with additional meetings held when appropriate.

The Committee is responsible for the overall remuneration policy for all staff and in particular, the policy and the level of remuneration of SMF staff and MRTs, including Executive Directors. There are no sub-committees of the Committee and it operates under delegated authority from the Bank's Board. The Committee approves remuneration proposals on an annual basis, and reports any matters within its remit in respect of which it considers that action or improvement is needed and makes recommendations as to the steps to be taken.

In agreeing the remuneration policy, the Committee does not obtain independent external advice. The Committee considers advice from the Chief Executive Officer, Head of Human Resources, the Senior Compensation and Benefits Manager and the Head of Corporate and Company Secretary as relevant (though not in relation to their own remuneration).

In the design of pay structures for Executive Directors, SMFs and MRTs the Committee also takes account of the overall approach to reward for employees in the Group as a whole.

8.2. Link between pay and performance

The Remuneration Committee has approved remuneration principles which support a clear link between pay and performance. The principles include:

- striking an appropriate balance between risk taking and reward;
- rewarding the achievement of the overall business objectives and values of the Group;
- encouraging and supporting the Group's culture of excellent customer service;

- aligning the interests of employees with those of the Group's other stakeholders; and
- guarding against risk taking over and above the Group's risk appetite.

8.3. Remuneration structures and their purpose

Fixed pay

In order to attract, retain and motivate employees to achieve the objectives of the Group within its stated risk appetite and risk management framework, employees are paid fixed base salaries, and benefits such as holiday allowance, company car allowances, pension contributions, life assurance, private medical insurance, permanent health insurance and may access staff loans. These elements are set at a level to ensure that there is not an excessive dependence on variable remuneration.

Annual bonus

The annual cash bonus is performance based and designed to drive and reward medium term results. It considers financial and non-financial (such as adherence to Group values) results and metrics at Group, division and individual level. The Committee approves the bonus amount.

Long term incentive plans

Senior staff may from time to time be offered options over shares in UTB Partners Limited. Options are generally issued at the money, granted over a vesting period of four years, must be exercised within 10 years and may include performance criteria.

8.4. Deferred remuneration policy

Revenue generating staff in certain lending divisions may have up to 30% of their annual bonus deferred each year. Payment of this deferred element is contingent upon the performance of the relevant loans.

8.5. Malus and Clawback

Contracts for all senior staff include a clause to provide for 'Malus' and 'Clawback'. Malus and Clawback applies to all staff under the CRD V regulations as adopted by the PRA.

8.6. Ratios between fixed and variable remuneration

The Capital Requirements Directive ("CRD") limits variable remuneration to no more than that paid as a fixed remuneration, or up to 200% of fixed remuneration with shareholder approval.

Variable remuneration does include the value of options granted to staff. Accordingly, where the Group grants options to its senior staff, both as a reward and inducement to remain with the Group, the value of these options is included in variable remuneration. The Group has therefore obtained shareholder approval to limit variable remuneration to 200% of fixed remuneration.

8.7. Remuneration Statistics

The table below provides quantitative information on remuneration awarded to SMF and MRTs broken down by business area, set out in accordance with clauses 1(g) of CRR Article 450.

2021	Lending £'000	Treasury and Central Services £'000	Total £'000
Total Remuneration	3,459	4,593	8,052

The table below provides quantitative information on remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Bank, set out in accordance with clauses 1(h) of CRR Article 450.

2021	Senior Management £'000	Material Risk Takers £'000	Total £'000
Total Remuneration	3,526	4,526	8,052

Appendix 1: Own Funds Disclosure Template

Own funds disclosure template		2021 £'000s	Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 capital (CET1): instruments and reserves			
1	Capital instruments and the related share premium accounts	36,956	26 (1), 27, 28, 29
	of which: ordinary share capital	36,956	EBA list 26 (3)
	of which: Instrument type 2	-	EBA list 26 (3)
	of which: Instrument type 3	-	EBA list 26 (3)
2	Retained earnings	139,735	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	3,350	26 (1)
3a	Funds for general banking risk	-	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	-	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**180,041**	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(2,506)	36 (1) (b), 37
9	Empty set in the EU	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38,
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41,
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20	Empty set in the EU	-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(6,750)	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91

20c	of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b)
24	Empty set in the EU	-	
25	of which: deferred tax assets arising from temporary difference	-	36 (1) (c), 38, 48 (1) (a)
25a	Losses for the current financial year (negative amount)	-	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(9,256)**	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	**170,785**	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	16,851	51, 52
31	of which: classified as equity under applicable accounting standards	16,851	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	85, 86
35	of which: instruments issued by subsidiaries subject to phase-out	-	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**16,851**	Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79
41	Empty set in the EU	-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	**16,851**	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	**187,636**	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	28,738	62, 63

47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	87, 88
49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)
50	Credit risk adjustments	1,812	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**30,550**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79
56	Empty set in the EU	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	**30,550**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**218,186**	Sum of row 45 and row 58
60	**Total risk-weighted assets**	**1,340,432**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.74%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	14.00%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	16.28%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	7.34%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.90%	CRD 128
69	[non-relevant in EU regulation]	-	
70	[non-relevant in EU regulation]	-	
71	[non-relevant in EU regulation]	-	
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	-	36 (1) (i), 45, 48
74	Empty set in the EU	-	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	-	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			

76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)

Appendix 2: Leverage Ratio Template

Table LRSUM: Summary reconciliation of accounting assets and leverage exposures

		2021 £'000
1	Total assets as per published financial statements	2,255,375
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(8)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	62,892
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	**2,318,259**

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,255,375
2	(Asset amounts deducted in determining Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,255,375**
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark- to-market method)	-
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-

7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	-
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales ac counting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	628,148
18	(Adjustments for conversion to credit equivalent amounts)	(565,256)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**62,892**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposure measure		
20	**Tier 1 capital**	**187,636**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**2,318,303**
Leverage ratio		
22	**Leverage ratio**	**8.1%**

Appendix 3: Asset Encumbrance Disclosure Template

Template A- Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	345,476		1,911,811	
030	Equity instruments				
040	Debt securities				
120	Other assets				

Template B- Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	139,231	
150	Equity instruments		
160	Debt securities		
230	Other collateral received		
240	**Own debt securities issued other than own covered bonds or ABSs**		

Template C- Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**		

Appendix 4: Requirement for a countercyclical capital buffer

Table 1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

The countercyclical buffer is an additional requirement introduced by CRD IV, calculated by applying a weighted average of country countercyclical buffer rates (based on the geographical distribution of relevant exposures) to the overall capital requirement of the Group. The following tables disclose information relevant for the calculation of the countercyclical buffer as at 31 December 2020 in accordance with Regulation (EU) 2015/1555.

		General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Counter-cyclical capital buffer rate
		Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
010	Breakdown by country:												
	UK	1,648,927	-	-	-	83,326	-	158,707	-	-	158,707	100%	0%
020	Total:	1,648,927	-	-	-	83,326	-	158,707	-	-	158,707	100%	0%

Table 2: Amount of institution-specific countercyclical capital buffer

		010
010	Total risk exposure amount	1,294,135
020	Institution specific countercyclical buffer rate	0%
030	Institution specific countercyclical buffer requirement	0