United Trust Bank

United Trust Bank Limited

Pillar 3 disclosures

as at 31 December 2022

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 periodic 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 set out in the Capital Requirements Regulation as implemented in the UK in the PRA Rulebook . 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 2022, which is the Group's latest financial year-end, and include the 2022 audited profits which the Board approved on 9 March 2023.

UTB Partners Limited ("UTBP") is the parent company of the Group and, given its 100% shareholding in United Trust Bank Limited ("the Bank"), UTBP has no staff and 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.

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

The following regulatory updates are relevant to the Group and will become affective in 2023 or subsequent years. The Bank is reviewing the implications of these for the Group and planning any changes necessary to comply with the forthcoming requirements:

- The Bank of England announced that the countercyclical capital buffer (CCyB) rate will increase from 1% currently to 2% effective from 5 July 2023.

- The PRA published a consultation paper (CP16/22) at the end of November 2022 on the implementation of Basel Standards 3.1 in the UK; these proposals are due to take effect from 1 January 2025 and will affect the risk weights applied to the Group's exposures. The Bank is reviewing the potential impact of the proposals on the Group and will engage with the UK trade bodies and PRA as appropriate in response to the consultation.

- In April 2022 the PRA published a consultation paper (CP5/22) on the implementation of a new regulatory framework for smaller firms: "The Strong and Simple Framework". This consultation follows a discussion paper (DP1/21) published in 2021. At present the Group would fall within the proposed definition of a smaller firm, so would have the option to operate under the new simper framework when it is implemented. However, the PRA has not published the details of the framework yet, so it is too soon to assess the implications for the Group. More details are due to be published in the coming years with implementation expected some time after Basel 3.1. Accordingly, under the Basel 3.1 proposals the PRA will give firms falling within the Strong and Simple Framework the choice to either adopt Basel 3.1 on 1 January 2025, or remain within the existing framework pending the implementation of the Strong and Simple Framework. This is to avoid smaller firms changing framework twice in short succession.

- The PRA has strengthened its expectations around the management of model risk, reflecting that banks are relying more and more on models for the production of management information and to meet legal and regulatory requirements. For example, model risk should be allocated to an SMF which increase the accountability around model risk management.

The following regulatory changes were applicable to the Group in 2022. The Group complies with the updated requirements and none have affected the Group's strategy:

- The UK leverage framework replaced the CRD leverage framework
- The NSFR became a binding requirement.
- Large Exposure: The 25% exposure limit changed to be calculated on a narrower capital base, namely Tier 1 capital, instead of Total Capital previously.
- IRRBB: the Interest Risk in the Banking Book (IRRBB) EVE stress test requirements were aligned to those EBA's six prescribed tests.

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 required by FRS 102, it is legally outside the Group and is an independent enity. 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, a range of fixed and notice period deposit products offered to individuals and SMEs and drawings from the Bank of England's Term Funding Scheme with Additional Incentives for SMEs ("TFSME").

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

UTB's management team sets 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, which is then approved by the Bank's Board ("the Board"). 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. In 2022 the impact of rising inflation and interest rates on our customers and wider financial market conditions has been a key area of focus.

Practical implementation of the Board's risk appetite is achieved via a risk management framework and suite of policies. Business units are responsible for adhering to our risk appetite statement, and the independent Risk department is responsible for monitoring adherence to and for reporting performance against our risk appetite.

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

UTB'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 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 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 Bank's 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 UTB, 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.

UTB 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, 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 risk appetites, 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 and objective third line assurance to the UTB Board and Management over whether significant risks are identified and appropriately reported to the Board and Management; whether those risks are adequately controlled; and, challenges Management to improve the effectiveness of governance, risk management and internal controls. Internal Audit is overseen by the Audit Committee and reports functionally to the non-executive Chair of the Audit Committee and administratively to 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. It can review the policy setting and monitoring and controls activity 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 and potential responses to each scenario.

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 Bank's Board of Directors of the Bank at the 31 December 2022 comprised of eight non-executive directors including the Chair and Deputy Chair, of which five are independent, and three executive directors, as listed on the Bank's website. Richard Murley chairs the Board and is responsible for its effectiveness. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience is maintained.

Board Changes

Michael Lewis retired as Non-Executive Director on 25 April 2022 but remains on the Bank's parent company Board as a Non-Executive Director. Alice Altemaire, who was a Non-Executive Director from September 2017 to June 2019, was reappointed 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.
- Overseeing 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 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 Key Activities in 2022

- Reviewed and approved the Bank's budget and three-year strategic plans.
- Reviewed and approved the Bank's capital, liquidity and recovery plans.
- Considered the Bank's response to and the impact of geopolitical uncertainty and volatility in the economic markets.
- Reviewed an enhancement of the Bank's Operational Resilience Policy and Plan
- Enhanced the Bank's suite of lending products, including the launch of the Buy To Let mortgage offering.
- Reviewed and approved the approach to using interest rate swaps to manage the Bank's exposure to interest rate risks
- Reviewed the Bank's funding strategy and enhanced the suite of deposit products offered to the public
- Engaged with regulators and regulatory developments during the year.
- Approved changes in Boards and Committee members and Chairs.
- The Board and its committees spent time on a broad range of sustainability considerations in 2022 including staff retention, development and engagement, Climate Change and Diversity and Inclusion.
- The appointment of a new external auditor due to the audit firm rotation requirements
- Reviewed and approved the Bank's Consumer Duty Implementation Plan.

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 risk appetite measures 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 primarily on a 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 Bank 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 2022	At 31 Dec 2021	% Change
Operating Income	£114.7m	£95.2m	20.48%
Operating Profit	£61.9m	£50.8m	21.75%
Cost to Income Ratio	46.10%	46.60%	-50bps
Return on Equity	21.70%	20.20%	150bps
Gross New Lending	£1,902m	£1,479m	28.60%
Loan Book	£2,426m	£1,809m	34.11%
Deposit Book	£2,208m	£1,716m	28.67%
Staff Numbers	359	308	16.56%

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 size.

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 2022 in addition to their roles within the Bank were:

Name	Position	Total Positions held
Richard Murley	Chair	1
Graham Davin	Deputy Chair	2
Alice Altemaire	Non-Executive Director	1
Maria Harris	Non-Executive Director	1
Andrew Herd	Non-Executive Director	4

Sarah Laessig	Non-Executive Director	2
Stephen Lockley	Non-Executive Director	1
Mark Stokes	Executive Director	1
Andrew Woosey	Non-Executive Director	2

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 2022, have been excluded.

Other Stakeholder Considerations

Valuing Our People

Our people 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 levels of service they strive to deliver to all of our stakeholders. We continue to promote the Bank's values and were pleased to present four employees with individual Values Awards during the year. Winners of these awards are voted for by colleagues as people whose actions and 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.

New staff joined most areas of the Bank during the year, including senior management, operations and control functions, helping 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 and benchmarked to be 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 learning and development programmes and an employee run sports and social committee, which arranges a number of events throughout the year to enhance staff engagement.

Diversity and Inclusion

Diversity and inclusion continues 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 is committed to ensuring that all our employees can feel proud to work for UTB, regardless of their gender, age, race, ethnicity, disability, religion or belief, sexual orientation, background or neurodiversity.

As employees, we 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 to and 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 contributions from all team members are welcomed 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 cost of living crisis or through life events.
- Not tolerating any form of intimidation, bullying, or harassment, and disciplining those that breach this policy.
- Ensuring that learning, 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 our 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 and Inclusion Training	As part of our commitment to further increase our diversity and nurture our inclusive culture, we have developed a targeted and thorough training programme for all employees across all levels of the Bank. The programme comprises a blend of external experts, online videos, eLearning and Human Resource training and has been received positively. The sessions have been incorporated into the on-boarding programme for new staff.
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 personalised support when it is needed. All employees have access to a 24/7 online GP service and a health portal that includes access to many useful health and wellbeing resources, including specific 4 week plans to help improve health and wellbeing. During the year, we also offered financial support (a cost of living allowance) to most staff and all staff have been offered access to a one to one financial coaching programme, via a third party provider.
Smart Futures programme	As part of the Chartered Banker Institute Smart Futures programme in April 2022, UTB supported four young people from low-income backgrounds through an employability programme. The students gained a variety of transferable skills intended to give them a head start in their career. We intend to repeat this programme in future.

Gender Pay Gap	In 2022 we published our gender pay gap results for the first time. We have been monitoring our gender statistics over time and are pleased to have seen improvements in our gender pay gap over the last 3 years.
The Board Diversity	Amongst other things, 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. In the year, we appointed Alice Altemaire to the Board and with effect from March 2023 she was appointed as Chair of the Audit Committee. Increasing diversity of the Board improves balance and tone from the top.
Mentoring and Reverse mentoring programme	A new 6 month pilot mentoring and reverse mentoring scheme was launched in July 2022. The mentoring scheme enables mentors from across the business to share their technical skills, experience and knowledge to help colleagues progress in their roles and careers. In parallel with this, the reverse mentoring is being piloted between members of the Diversity and Inclusion Committee and members of the Diversity and Inclusion Forum. The reverse Mentoring sessions are an effective way to build genuine awareness and learning on both sides. This has been very well received and with the Bank's rapid growth there is now a greater need to develop, enhance and use coaching skills across all areas of the Bank.
Women in Banking and Finance Association	During the year UTB joined the Women in Banking and Finance association ("WIBF") in support of developing opportunities for women in the banking industry. The WIBF provides members with access to industry thought, insight and education. It also aims to help women from diverse socio-economic backgrounds break into banking and financial service industries and to empower those already in place to reach their full potential. The Bank hopes this membership will contribute to ensuring we attract and keep the diverse talent that will help the Bank to thrive.
Equality Data collection	During the year the Bank asked employees, on a voluntary basis, to share data on gender, ethnicity, religion/belief, gender, sexual orientation, disability and caring responsibilities. The purpose of collecting this data is to start to build a more detailed understanding of our employee profile, of the progress we are making in building a diverse workforce, covering new joiners, leavers and career progression, and to check for any bias in our people processes.

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

In the year the Audit Committee comprised of two independent non-executive directors: Sarah Laessig and Andrew Woosey as chair, plus Stephen Lockley, a non-executive director who has been on the board for over 9 years. In March 2023 Andrew Woosey stepped down as chair of the committee but remained a member. Alice Altemaire joined the Audit committee and was appointed as Chair. The qualifications of each of the members are outlined in the biographies on Bank's website.

Committee Roles and Responsibilities

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

- Reviewing the draft Annual Report and Accounts of UTB and making recommendations to the Board.
- Overseeing the establishment of accounting policies and practices by the Bank, and reviewing the significant qualitative aspects of those accounting practices.
- Reviewing the adequacy and effectiveness of processes and systems for internal control taking into account the output of the Bank's Risk Committee.
- Reviewing the results of any relevant reviews, investigations or studies of bank activities by the FCA/PRA, or other regulatory bodies, and recommending to the Board what action should be taken and monitoring that it has been implemented.
- Meeting with the External Auditors' and discuss the nature, scope, effectiveness and outcomes of the audit, including approving the engagement letter and any amendments thereto and considering management's response to material observations from the External Auditor.
- Assessing the independence and objectivity of the External Auditor annually by taking into consideration relevant UK law, regulation and professional requirements, and the nature and amount of non-audit work undertaken.
- Reviewing from time to time the choice of External Auditor and making appropriate recommendations to the Board, or approving any changes proposed by management. Reviewing 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.
- Monitoring and reviewing the effectiveness of the Internal Audit function including its independence and objectivity.
- Reviewing and approving the Internal Audit plan and budget.
- Reviewing audit reports from the Head of Internal Audit and consider management responses to the Internal Auditor's findings and agreed audit actions. Additionally monitoring the timely closure of agreed audit actions by management.
- Considering whether the Internal Audit function is adequately and sufficiently resourced.

- Obtaining an independent and objective external assessment of the Internal Audit function at appropriate intervals, currently recommended by the Chartered Institute of Internal Auditors to be not less frequently than every five years (this was satisfactorily completed during 2021). Carrying out an annual assessment of the Internal Audit function.
- Considering the major internal and external audit findings and ensures, via management, that agreed actions are implemented and, where necessary, reporting to the Board.
- Overseeing the establishment of accounting policies and practices by the UTB and review the significant qualitative aspects of those accounting practices, including accounting estimates and financial statement and other regulatory disclosures.
- The Committee also performs certain of the above activities on behalf of its parent, United Trust Bank Partners Limited ("UTBP"), and Group.

Audit Committee 2022 Key Activities

- Reviewed accounting policies and accounting methodologies where there have been significant changes (includes effective interest rate ("EIR")) or where they are particularly material and require annual review.
- Reviewed and approved accounting policies for using interest rate swaps to manage the Bank's exposure to interest rate risks.
- Reviewed and approved the Bank's approach to assessment and confirmation of going concern.
- Approved the Bank's project and approach to climate change disclosures for 2022.
- Challenged key accounting judgements, in particular for any new significant transactions and of key estimates such as loan loss provisioning.
- Approved enhancement in methodology for the Mortgages provisioning model.
- Monitored status of Internal Audit's 2022 annual audit plan, and reviewed and approved the proposed 2023 annual audit plan.
- Monitored the transition of the external auditor from Deloitte to PwC and the extensive use of data led auditing.

Risk Committee

Committee size and composition

The Risk Committee at year end had four members: two independent non-executive directors, Maria Harris and Andrew Woosey, plus Stephen Lockley as chair and Andrew Herd, both non-executive directors who have been on the Board for over 9 years. In March 2023 Stephen Lockley stepped down as both Chair and member of the Committee and was replaced as chair by Andrew Woosey. Other directors 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.

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

- Advising the Board on the effectiveness of the Bank's risk management framework and compliance and conduct oversight framework, to ensure that key risks are identified, monitored and appropriately managed.
- Ensuring that the risk and compliance functions remain independent and adequately resourced.
- Reviewing and monitoring the Bank's risk profile relative to current and future strategy and risk appetite through a continuous process of identification, evaluation and management of all material risks.

- Reviewing the design and implementation of risk policies across the Bank.
- Reviewing the due diligence of any proposed strategic transaction, focusing on the risk aspects and their implications for the risk profile and appetite and to advise the Board prior to the approval of any such the transaction.
- 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 the performance of the Bank relative to risk appetite and to receive and review reports from the Chief Risk Officer relating to any significant issues that require or are subject to remedial action.
- Ensuring that rigorous and comprehensive stress testing and scenario testing of the Bank's business is carried out regularly and that appropriate risk mitigation is in place.
- 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 and plan, operational capabilities and the external environment.
- Recommending to the Board annually the financial, credit, concentration, conduct, regulatory, operational and market related authorities, limits and mandates. Identifying, considering, overseeing, challenging and advising the Board on the Bank's exposure to all significant risks to the business.
- In cooperation with the Audit Committee, monitoring any identified control failings and weaknesses that may raise systemic risk issues and the relevant management actions taken to resolve them.
- Reviewing reports on any material breaches of risk limits and the adequacy of proposed actions to address such breaches.
- Reviewing and challenging the Bank's risk culture.
- Reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- Reviewing the results of any reviews of the Bank's activities by regulatory bodies and recommending to the Board any action required.
- Reviewing the activities of the Chief Risk Officer and the effectiveness of the risk function.
- Assessing whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

Risk Committee 2022 Key Activities

- Oversaw ongoing improvements to the Bank's operational resilience and operational risk management processes; culture and conduct frameworks and reporting; and regulatory submissions and returns, including the Recovery Plan, ICAAP and ILAAP.
- Strong focus on the external environment, particularly credit risk and the quality of the loan portfolio. Credit policy and appetite was subject to ongoing review and update in the context of rapidly evolving market conditions, including the war in the Ukraine and economic uncertainty.
- Capital and liquidity management remained a key focus to ensure the Bank remained appropriately funded, given the evolving external environment and the successful implementation of the Bank's growth strategy.
- Reviewed and supported the approach to using interest rate swaps to manage the Bank's exposure to interest rate risks.

- Commenced development of a roadmap for climate change risk management to guide the Bank's approach to addressing the risks associated with climate change.
- Reviewed and approved the Bank's Consumer Duty Implementation Plan.

Remuneration Committee

Committee size and composition

The Remuneration Committee comprises of two independent non-executive directors, Sarah Laessig and Richard Murley as chair, 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

- Approving the remuneration policy and staff reward framework for all staff.
- Approving the remuneration and other terms of service of Executive Directors, Senior Management Function staff and Material Risk Takers, including awards under the long-term incentive plan.
- Ensuring that the remuneration policy is structured so as to align reward to corporate and individual performance, corporate purpose and promote the long-term success of the Bank, within its stated risk appetite and risk management framework.
- Ensuring that there is a robust framework in place to attract, retain, develop and motivate employees to achieve their goals and the objectives of the Bank.
- Providing oversight of the Diversity & Inclusion framework and gender pay gap to ensure equal pay across the Company.
- Ensuring the remuneration policy is in accordance with the regulatory framework as set out in the Remuneration Code.

Remuneration Committee 2022 Key Activities

The key areas of the Committee's focus during 2022 are set out below:

- Approved the remuneration policy.
- Enhanced the staff benefits package, including the introduction of a salary allowance to help staff through the 2022 cost of living crisis.
- Reviewed the Talent and Succession plan.
- Oversaw the diversity and inclusion framework and actions agreed by the Diversity and Inclusion Committee.
- Oversaw the ongoing project to review and enhance the Bank's performance management, job architecture and remuneration frameworks.
- Oversaw the phased return of staff to the office and implemented the flexible working model.
- Oversaw the Bank's first Gender Pay Gap publication in 2022.
- Approved the award of options to senior staff.

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 Principal 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 2022 are provided below:

Business performance and strategic risk

The risk arising from changes in the business environment, the Bank'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 and assessment 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 2022

The Bank continued to achieve its strategic and business objectives but within an external environment of continuing heightened risk.

2022 began in an external environment dominated by expectations of recovery from the economic impact of the pandemic. Notwithstanding the renewed lockdown in the UK in December 2021 and January 2022, economic activity bounced back strongly in Quarter 1, although inflationary pressures were increasing as a consequence of global supply chain blockages, a strong labour market and worldwide emergence from the pandemic.

Russia's invasion of Ukraine on 24 February increased inflationary pressures, particularly in Europe, due to disruptions to energy, metals and food supplies. UK house prices continued to grow at double digit year on year rates, supported by a robust employment market, before falling in the final quarter. By September, BoE inflation forecasts had risen significantly, to an expected peak of 13%. The UK government's household energy price cap reduced peak inflation expectations such that by year-end, the BoE's forecast peak had reduced to 11%. However, the financial commitment required to support the cap, when combined with other government tax and spending announcements in September, destabilised bond and currency markets and led to rapidly increasing interest rates. Markets did became less volatile in the final weeks of 2022, and the BoE now forecasts a relatively shallow but extended recession in the UK, which is a material change from the recovery expected from the start of 2022.

Given the external environment at the beginning of the year, the Bank's strategic plan was implemented in an environment which supported strong loan originations. Restrictive credit policy settings introduced at the start of the pandemic, in Quarter 2 2020, were progressively removed during 2021, contributing to loan book growth momentum, with the Bank achieving strong lending growth during 2021 and 2022. In mid-2022, management reviewed credit appetite in the context of the volatile external environment and reduced appetite in a small number of higher risk areas. These changes were far less extensive than the appetite restrictions applied at the start of the pandemic in 2020.

The overall growth in the lending portfolio has been funded within strategy by a corresponding growth in deposit balances. The Deposits business unit continues to benefit from more efficient processes and closely co-ordinates deposit-raising activities with lending unit cashflow projections. The Bank also has £300m of drawings under the Bank of England's TFSME scheme, which is mainly collateralised by asset finance loans and first charge mortgages.

In 2022, the Bank's new Buy-To-Let lending business began trading. The unit's business strategy and credit policies were reviewed and approved by Risk Committee and the Board in late 2021 and early 2022.

We continue to review the economic outlook and test the financial robustness of the Bank by carrying out regular stress testing in the context of potential adverse economic conditions. More information on stress testing can be found in the Risk Management section on page 11.

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
- Regular stress testing and forward looking management of capital resources and 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 2022

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

The Bank maintained its capital ratios in excess of regulatory requirements throughout 2022. At 31 December 2022, the CET1 ratio was 12.0% (2021: 12.7%) and the total capital ratio was 14.7% (2021: 16.2%).

The Bank has not paid a dividend during the year and no redemptions or issuance of Tier 2 or AT1 capital were carried out. Since the year end, the Bank has issued £5.4m of Tier 2 capital.

The Bank continued to use number of government-backed lending schemes during 2022, including the Coronavirus Business Interruption Loan Scheme ("CBILS"), the Recovery Loan Scheme ("RLS") and the BBB Enable Build Guarantee scheme. These schemes all provide the Bank with a capital benefit.

The Bank of England increased the Countercyclical Capital Buffer ("CCyB") to 1% in December 2022. The Bank of England has indicated that 2% is the expected CCyB level in normal economic conditions and gave notice in July 2022 that the rate would increase to 2% with effect from 5th July 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's activities are predominantly 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 is performed
- 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 Bank of England's 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 2022

The Bank maintained a stable funding base and satisfactory levels of liquidity to fund the business.

The cost of deposits has continued to increase in line with market-wide rising interest rates. At times during the year it was more challenging to raise longer term deposits, as potential depositors held off investing due to anticipating further rises in inflation and interest rates. The Deposits team has been able to meet the Bank's growing funding requirements throughout the year and supported in the management of lending rates to maintain net interest margins.

The Bank participates in the Bank of England's TFSME scheme, with £300m drawn. The Bank of England approved the Bank's First Charge Mortgage ("FCM") loans as collateral in June 2022. And, as planned, UTB has been progressively adding asset finance and FCM loans to the collateral pool as those loan portfolios grow, to replace Gilt and Treasury Bill collateral.

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). It is one of the Bank's most significant risks.

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 2022

In the year the Bank’s loan book grew by 34%, reflecting strong originations activity across all business units and a normalisation of repayment levels compared to the prior year. The war in Ukraine has not had a direct impact on the Bank's credit quality, however macro-economic and political factors have increased inflationary pressures and interest rate rises. Materials and labour supply chain challenges in the construction sector have been evident in 2022.

Tail risk in the overall portfolio (i.e. higher risk credit exposures) is one of the Bank’s key credit risk metrics and for the sector has remained very low at 1.8% at year end.

Loan loss provisions have decreased during 2022 and remained within appetite. The total provisions charge was £1.8m compared to £6.5m in 2021. The 2022 charge was mainly the result of additional charges on a small number of historic development finance loans, with long-standing tail risk cases progressively addressed and exited. For more information on provisions for impairment losses on loans and advances, see the Banks Annual Report and Accounts on the companys website referencing note 10 on page 87.

Rising interest rates will inevitably increase pressure on UK borrowers, many of whom are already experiencing a squeeze on household budgets and business cashflows as a result of cost inflation. In response to the deteriorating external environment, management have tightened some credit appetite settings during the year to drive a more selective approach to new business. The support provided by government schemes such as CBILS and RLS during the pandemic has now largely ended, with last drawdowns under RLS 2 on 30 September 2022.

Market Risk

For the Bank, Market Risk is primarily limited to interest rate risk, namely the risk that the value of the Bank’s assets and liabilities, or its profitability, will fluctuate due to changes in interest rates. The Bank has no material exposure to foreign currencies or to foreign exchange risk.

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 and the use of interest rate swaps
- Management of basis risk through the management of the structure of the balance sheet

Update on risk profile in 2022

Market interest rate risk increased in Quarter 3 2022, following politically driven volatility in the markets, and although the market regained some stability in Quarter 4 2022, the outlook remained uncertain at year end. This has increased pressure on net interest rate margins, although the Bank's lending units have largely been able to re-price lending rates.

The Bank has a simple and transparent balance sheet and has historically managed interest rate risk through controlling the maturity profile of customer deposits raised. During 2022, in light of the evolution of the loan book mix, the Bank began using interest rate swaps as an additional tool to manage interest rate risk and allow more flexibility in funding options. An analysis of the Bank's sensitivity to interest rate exposure is shown in the Banks Annual Report and Accounts on the companys website referencing note 26 on pages 100 to 101.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed processes, people and systems or from external events. Operational risks include cyber risk and risks related to operational resilience and the use of outsource service providers. Cyber risk is the risk of the Bank's information technology systems being penetrated to steal data or otherwise cause harm or disruption.

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
- Dedicated cyber security staff and resources who manage a range of preventative, detective and recovery measures
- Phishing and cyber training provided to all staff
- Established and tested Disaster Recovery and Business Continuity Plan arrangements

Update on risk profile in 2022

2022 has continued to see an environment of heightened external cyber risks. The nature of these threats, together with the types of incidents that have occurred, have highlighted the requirement for ongoing vigilance and updating of UTB's cyber defences to ensure that the Bank is adequately protected. The Bank continues to do this through the implementation of a suite of both preventative and detective measures.

The Bank has increased central operational resourcing to support first line operational risk management with particular focus on enhancing the risk registers, improving the quantity and relevance of management information as well as the investigation of thematic and/or systemic issues arising from operational incidents.

The Bank has continued to develop and improve systems and processes to support its growth. Significant projects are governed by the Change Management Committee, chaired by the Chief Technology Officer, which was introduced at the beginning of the year.

Enhancements were also made, and continue to be made, to the Operational Resilience framework during 2022. The Bank has strengthened all resilience related policies, used scenario testing to identify improvements to its resiliency and carried out remediation where required. In particular, it has improved its ability to respond to disruptions when they arise, significantly strengthened its system back –up capabilities and has commenced the process of understanding the resilience of its key third-party providers.

Conduct and 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

- Employment of experienced professionals in relevant areas supplemented with the use of external specialists where appropriate
- 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 and a comprehensive and evolving governance framework
- Regular staff training provided
- Established processes for anti-money laundering, sanctions and fraud checking at relationship inception and in-life
- Established Data Protection Framework
- An active and open dialogue with its regulators.

Update on risk profile in 2022

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. Whilst there has been no change in the nature of the products offered, market conditions have increased the risk associated with retail arrears handling. This has resulted in changes to process, training and ongoing oversight. The Bank has implemented several changes during 2022 in response to regulatory consultation, guidance and policy statements. Prudential regulation developments have in recent years been discussed around operational resilience and outsourcing and this continued in 2022. Regulatory activity in the conduct sphere is evolving, with the forthcoming Consumer Duty regime and work around Borrowers in Financial Difficulty, and there is an ongoing focus on the treatment of vulnerable customers. The Bank is fully engaged and actively working to ensure it continues to meet regulatory and consumer expectations.

3.4 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:

Economic Uncertainty	There remains significant economic ongoing uncertainty regarding the future economic trajectory in the UK and across global markets. We continue to plan for a variety of different economic outcomes through scenario analysis and the stress testing of our performance and financial position to ensure we have the resources and capability to continue to perform effectively. The Bank's strong financial and capital position should enable the Bank to absorb short-term economic downturns and respond to any change in market demand and we continue to monitor this closely.
Geopolitical Uncertainty	The geopolitical environment remains uncertain, given the war in Ukraine and the aftermath of Brexit. We will continue to closely monitor changes in the geopolitical landscape and regularly test the financial and operational resilience of the Bank under different scenarios. The Bank operates entirely within the UK so the direct impact of geopolitical events is usually limited. The Bank continues to track changes in the geopolitical landscape that could have an impact on the Bank and its operations, its customers, supply chain and its employees both directly or indirectly.
Inflation and Interest Rate	At the beginning of 2022, we considered that the external environment was likely to begin progressively improving as the impact of the Covid-19 pandemic began to subside, however, the war in the Ukraine amplified the inflationary effect of the post-pandemic recovery. Rising inflation has prompted a cost of living squeeze and an increased risk of recession. In response to the higher inflation, the Bank of England has raised its base rate progressively during 2022 and further rises are expected in 2023. Rising interest rates will inevitably increase pressure on borrowers, many of whom are already experiencing a squeeze on household budgets and business cashflows as a result of cost inflation. We anticipate that these factors will contribute to reductions in property prices, including residential property,

	during 2023. We consider the Bank's lending policies, in particular its conservative loan to value appetite, will help to mitigate losses on lending to the property sector. We continue to monitor these effects of increased inflation and interest rates on our customers.
IT and Cyber Risk	2022 has continued to see an environment of heightened external cyber risks, some of which have been exacerbated by external factors, including the cost of living crisis, war in Ukraine, as threat actors attempt to carry out campaigns against financial institutions. The nature of these threats, together with the types of incidents the Bank has witnessed, have highlighted the requirement for ongoing vigilance and updating of the Bank's cyber defences to ensure that the Bank is adequately protected. The Bank continues to do this through the implementation of a suite of both preventative and detective measures.
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. Climate change represents an area of increasing focus, both within the Bank and across the industry more broadly. The Bank's Climate Change committee oversees the analysis and assessments of climate change related risk posed to the Bank. The Bank is not a significant emitter in its own right and has purchased carbon offsets to be carbon neutral. Our scenario analysis work has not revealed any significant exposure to the risk in the Bank's business model or activities in the short to medium term. More details on the Bank's approach to climate change risk can be found in the Bank's Annual Report and Accounts on pages 19 to 26.
Supply chains: materials and labour	The aftermath of Covid-19 is still affecting supply chains globally and has been further impacted by the war in Ukraine and the volatility in the current economic environment. Direct impacts experienced by the Bank have been limited but the Bank has witnessed the effects on the supplies and prices of raw materials and finished goods used in the construction sector and the supply of equipment such as vehicles. This has influenced prices and caused some delays in the Bank's business divisions such as Property Development and Asset Finance. Management continue to monitor this closely and anticipate some level of further disruption in 2023.
Regulatory and Legal Change	A continued increase in regulatory and legal change has been witnessed in recent years and it is anticipated that this will continue, including potential regulatory and legal deviations between the UK and EU following the UK departure from the EU. The Bank manages an established horizon scanning and monitoring framework to determine any regulatory and legal changes that could materially impact the Bank, including regulatory and legal reform and changes in regulatory practice. We engage regularly with our regulators the PRA and FCA, as well as industry bodies and external advisers to further understand any likely changes.

4. Capital resources

As at 31 December 2022, and throughout the period to 31 December 2022, 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 2022 £'000**	**% of Total**	**31 December 2021 £'000**	**% Growth**
Share Capital		5,009		5,009	
Share Premium		31,947		31,947	
Profit and Loss Account		183,212		139,735	
Less Intangible Assets		(3,084)		(2,506)	
Less Other Deductions		(11,205)		(6,750)	
Other Reserves		3,969		3,350	
Total CET 1	81.4%	**209,848**	78.3%	**170,785**	22.9%
Additional Tier 1		16,851		16,851	
Total Tier 1	87.9%	**226,699**	86.0%	**187,636**	20.8%
Tier 2					
Subordinated Loans		28,811		28,738	
Collective Impairments		2,290		1,812	
Total Tier 2	12.1%	**31,101**	14.0%	**30,550**	1.8%
Eligible Capital	100.00%	**257,800**	100.00%	**218,186**	18.2%

Deferred Tax:

In accordance with Article 48 of the Capital Requirements Regulation ("CRR"), the Group's deferred tax asset of £2,985k is not deducted from Eligible Capital.

Additional Tier 1 Capital:

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 before resetting on 31 July 2020 and then every 30 November since 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 15.911%.

The 2017 Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities ("AT1 Securities") bore 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. They currently pay interest at a rate of 14.555%.

The AT1 Securities are convertible into ordinary shares of the Company in the event of the CET1 capital ratio of the Bank falling below 7 percent.

Tier 2 Subordinated Debt:

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 V, as at 31 December 2022.

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 profits were recognised.

4.3. Return on Assets

The Group's return on assets was 1.8% in the year to 31 December 2022 (2021: 1.7%).

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 TFSME scheme 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. Table UK OV1- Overview of risk weighted exposure amounts

	Risk weighted exposure amounts (RWEAs)		**Total own funds requirements**
	a	**b**	**c**
	T	**T-1**	**T**
Credit risk (excluding CCR)	1,702,127	1,261,719	135,734
Of which the standardised approach	1,702,127	1,261,719	135,734
Counterparty credit risk - CCR	1,604	-	128
Of which credit valuation adjustment - CVA	1,604	-	128
Securitisation exposures in the non-trading book (after the cap)	(145,475)	(70,700)	(11,202)
Of which 1250%/ deduction	(145,475)	(70,700)	(11,202)
Operational risk	180,522	149,412	14,442
Of which basic indicator approach	180,522	149,412	14,442
Total	**1,738,778**	**1,340,342**	**139,102**

5.2. 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.

5.3. 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 uses the standardised approach to determine its Pillar 1 credit risk capital. This involves the application of standard risk weights 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 but does have exposure to interest rate risk from its interest bearing assets and liabilities and through the use of interest rate swaps. This risk is mitigated through its hedging strategy.

The table below sets out the Group's Pillar 1 capital requirements as at 31 December 2022 determined in accordance with CRD V:

Description	**Main Components**	**8% Capital Required* £000's**
Central Government or central banks	• BoE Reserve Account	0
Institutions	• Cash placed with financial institutions	544
Corporates	• Secured & Unsecured Lending	247
Retail	• Secured & Unsecured Lending	15,216
- *Of which: SME*	• *Secured & Unsecured Lending*	*14,714*
Secured by mortgages on immovable properties	• Property Lending	49,307
- *Of which: SME*	• *Property Lending*	*21,997*
Exposures in default	• Property Lending	1,272
Items associated with particular high risk	• Property Lending	55,220
- *Of which: SME*	• *Property Lending*	*53,874*
Other items	• Sundry Debtors and Fixed Assets	2,726
Credit risk minimum Pillar 1 capital requirement		124,532
Operational risk Pillar 1 capital requirement (*basic indicator approach*)		14,442
Credit Valuation Adjustment		128
Pillar 1 capital requirement		**139,102**
Of which: Tier 1		104,327
Tier 2		34,776
Capital resources (refer to section 4.1)		
Tier 1 capital resources		226,701
Tier 2 capital resources		31,102
Total capital resources		**257,803**
Surplus of capital resources over Pillar 1 capital requirement		
Tier 1 capital surplus		122,375
Tier 2 capital surplus		(3,674)
Total surplus capital resources over Pillar 1 capital requirement		**118,701**

* 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 2022 was 12.1% (2021: 12.7%) and total capital ratio was 14.8% (2021: 16.3%).

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 Countercyclical Capital Buffer ("CCyB") requirement increased to 1% in December 2022, with the expectation of a subsequent increase to 2% in July 2023. The CCyB is in addition to the Capital Conservation Buffer of 2.5%. At the end of 2022, the total amount of capital committed to the 3.5% (2021: 2.5%) combined buffers, which apply to all banks in the UK, was £61m (2021: £34m).

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% (2021: 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 2022:

UK LR3 - LRSpl: Split-up of on balance sheet exposures	**Exposures at 31 December 2022* £000**	**Average Exposures Year to 31 December 2022* £000**
Central governments or central banks	451,140	442,427
Institutions	28,825	36,883
Retail	315,635	277,966
Secured by mortgages on immovable properties**	1,960,825	1,722,643
Corporates	3,742	3,525
Exposures in default	23,241	17,924
Other items	30,604	24,422
	2,814,012	**2,525,790**

* Includes exposures covered by the BBB Enable Guarantee (see section 7).
** Includes 'items associated with particular high risk'

At 31 December 2022, the Group's "Loans secured by mortgages on immovable properties" were predominantly to customers within the United Kingdom and 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") in 2021. 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 2022 CBILS loan balances were £53m.

The residual maturity of the Group's credit risk exposures at 31 December 2022 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	390,006	61,134	-	-	451,140
Institutions	25,357	3,468	-	-	28,825
Corporates	584	3,158	-	-	3,742
Retail	88,969	220,473	6,193	-	315,635
Secured by mortgages on immovable properties	818,347	556,120	586,358	-	1,960,825
Exposures in default	9,525	3,114	10,602	-	23,241
Other items	-	-	-	30,604	30,604
	1,332,788	847,467	603,153	30,604	2,814,012

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 2022 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 2022 Loans and advances to customers £'000	At 31 December 2021 Loans and advances to customers £'000
Neither past due nor impaired	2,397,919	1,764,368
Of which forborne	9,537	13,272
Past due but not impaired:		
Loans and receivables at amortised cost:		
- Less than three months	12,674	14,406
- Three to twelve months	2,005	2,977
- One to five years	461	1,911
Impaired	8,498	10,318
Repossessions	9,372	10,638
Less: provisions	(4,908)	(9,283)
	2,426,021	1,808,607

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.

Analysis of Loan to Value ratios ("LTV") on loans and advances to customers, excluding finance lease and hire purchase receivables.

	50% or lower	>50% to 60%	>60% to 70%	>70% to 80%	>80% to 90%	Over 90%	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
December 2022	464,246	463,267	771,286	333,492	73,822	900	2,107,013
December 2021	364,412	465,668	497,323	245,610	27,333	8,087	1,608,433

The purchase value of assets relating to finance lease and hire purchase receivables was £482m (2021: £327m).

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.

6.2. Provision for impairment losses

6.3.1 Loans & Advances Movement	**2022 Individual £'000**	**2022 Collective £'000**	**2022 Total £'000**	**2021 Individual £'000**	**2021 Collective £'000**	**2021 Total £'000**
At 1 January	7,471	1,812	9,283	7,130	1,772	8,902
Charge	2,513	478	2,991	7,415	40	7,455
Released	(687)	-	(687)	(746)	-	(746)
Utilised during the year	(6,679)	-	(6,679)	(6,238)	-	(6,238)
At 31 December	2,618	2,290	4,908	7,471	1,812	9,283

6.3.2 Impairment losses taken to income statement	2022	2021
	£'000	£'000
Individual impairments	1,826	6,669
Collective impairment	478	40
Unwind of discounting and Recovery of loans previously written off	(515)	(254)
	1,789	6,455

6.3. Credit risk management

For all property lending, the Group takes security in the form of legal charges over 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 for property development lending and, as a consequence, 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 £11.2m (2021: £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 £103.8m (2021: £51.1m).

At the year end, no loans covered by the guarantee were impaired (2021: 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.

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

The Committee met three times during the financial year 2022. 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, Director 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 vest over 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, 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.

2022	Lending £'000	Treasury and Central Services £'000	Total £'000
Total Remuneration	4,165	5,197	9,363

The table below provides quantitative information on remuneration broken down by risk profile, set out in accordance with clauses 1(h) of CRR Article 450.

2022	Senior Management £'000	Material Risk Takers £'000	Total £'000
Total Remuneration	3,753	5,610	9,363

Appendix 1: Table KM1- Key Metrics

		31-Dec-22	31-Dec-21
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	209,850	170,785
2	Tier 1 capital	226,701	187,636
3	Total capital	257,803	218,186
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	1,738,779	1,340,432
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	12.07%	12.74%
6	Tier 1 ratio (%)	13.04%	14.00%
7	Total capital ratio (%)	14.83%	16.28%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)		
UK 7b	Additional AT1 SREP requirements (%)		
UK 7c	Additional T2 SREP requirements (%)	1.00%	1.34%
UK 7d	Total SREP own funds requirements (%)	9.00%	9.34%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	1.00%	0.00%
UK 9a	Systemic risk buffer (%)		
10	Global Systemically Important Institution buffer (%)		
UK 10a	Other Systemically Important Institution buffer		
11	Combined buffer requirement (%)	3.50%	2.50%
UK 11a	Overall capital requirements (%)	12.50%	11.84%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.83%	6.94%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	2,878,801	2,318,303
14	Leverage ratio excluding claims on central banks (%)	7.9%	8.1%
	Additional leverage ratio disclosure requirements		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	252,352	194,544
UK 16a	Cash outflows - Total weighted value	76,739	76,791
UK 16b	Cash inflows - Total weighted value	79,575	67,489
16	Total net cash outflows (adjusted value)	19,185	19,198
17	Liquidity coverage ratio (%)	1315.36%	1013.36%
	Net Stable Funding Ratio		
18	Total available stable funding	2,555,002	
19	Total required stable funding	1,648,317	
20	NSFR ratio (%)	155.01%	

Appendix 2: Own Funds Disclosure

UK CC1 – Composition of regulatory own funds		2022 £'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	36,957	26 (1), 27, 28, 29
	of which: ordinary share capital	36,957	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	183,212	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	3,970	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**	**224,139**	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)	(3,084)	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	(11,205)	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)**	**(14,289)**	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	**Common Equity Tier 1 (CET1) capital**	**209,850**	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)**	**226,701**	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	28,811	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	2,291	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	**31,102**	
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**	**31,102**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**257,803**	Sum of row 45 and row 58
60	**Total risk-weighted assets**	**1,738,779**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.07%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	13.04%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	14.83%	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)	8.00%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	1.00%	
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)	5.83%	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 3: Leverage Ratio Template

Table 1 - UK LR2 - LRCom: Leverage ratio common disclosure

		2022 £'000
1	Total assets as per published financial statements	2,799,480
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	38
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for exemption of exposures to central banks)	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustment for derivative financial instruments	
9	Adjustment for securities financing transactions (SFTs)	
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	64,867
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	
12	Other adjustments	14,416
13	**Total exposure measure**	**2,878,801**

Table 2 LRSUM: UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	2,812,036
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	
5	(General credit risk adjustments to on-balance sheet items)	
6	(Asset amounts deducted in determining tier 1 capital (leverage))	
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**2,812,036**

	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	0
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	0
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	0
UK-9b	Exposure determined under the original exposure method	1,898
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	
11	Adjusted effective notional amount of written credit derivatives	
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
13	**Total derivatives exposures**	1,898
	SFT exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
16	Counterparty credit risk exposure for SFT assets	0
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	0
17	Agent transaction exposures	0
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	0
18	**Total securities financing transaction exposures**	0
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	647,979
20	(Adjustments for conversion to credit equivalent amounts)	(583,112)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures)	
22	**Off-balance sheet exposures**	**64,867**
	Excluded exposures	
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	0
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	
UK-22g	(Excluded excess collateral deposited at triparty agents)	

UK-22k	(Total exempted exposures)	0
Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	226,701
24	**Total exposure measure including claims on central banks**	226,701
UK-24a	**(-) Claims on central banks excluded**	
UK-24b	**Total exposure measure excluding claims on central banks**	**2,878,801**
Leverage ratio		
25	**Leverage ratio excluding claims on central banks (%)**	7.87
UK-25a	**Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)**	
UK-25b	**Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)**	
UK-25c	**Leverage ratio including claims on central banks (%)**	
26	**Regulatory minimum leverage ratio requirement (%)**	3.25%

Appendix 4: Asset Encumbrance Disclosure Template

Template A- Assets

		Carrying amount of encumbered assets	Of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets
		010	030	040	060	080	090
010	**Assets of the reporting institution**	414,521	72,750		2,391,295	11,455	
030	Equity instruments						
040	Debt securities	72,750	72,750		11,455	11,455	
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**	342,427	
140	Loans on demand	3,266	
150	Equity instruments		
160	Debt securities		
220	Loans and advances other than loans on demand	339,162	
230	Other collateral received		
240	**Own debt securities issued other than own covered bonds or ABSs**		
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	339,162	

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**	**96**	

Appendix 5: 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 2022 in accordance with Regulation (EU) 2015/1555.

		General credit exposures		**Relevant credit exposures – Market risk**		**Securitisation exposure**		**Own funds requirements**				***Risk-weighted exposure amounts***	***Own funds requirement weights***	**Counter-cyclical capital buffer rate**
		Exposure value under the standardised approach	Exposure value under the IRB	Sum of long and short positions of trading book	Sum of long and short positions of	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book	Of which: Securitisation exposures	Total		**%**	**%**
010		*Breakdown by country:*												
	UK	2,126,020	-	-	-	103,800	-	123,595	-	11,638	135,223	1,690,413	100%	1%
020	Total:	2,126,020	-	-	-	103,800	-	123,595	-	11,638	135,223	1,690,413	100%	

Table 2: Amount of institution-specific countercyclical capital buffer

		010
010	Total risk exposure amount	1,738,779
020	Institution specific countercyclical buffer rate	1%
030	Institution specific countercyclical buffer requirement	17,320