United Trust Bank

UTB Partners Plc

Pillar 3 disclosures

as at 31 December 2024

Contents

1. Introduction

This document constitutes the consolidated Pillar 3 disclosures of UTB Partners Plc ("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. More detailed information can be found in the Bank's published accounts at www.utbank.co.uk.

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 divide the framework into three 'pillars' as described below.

Pillar 1 – these requirements set out the minimum capital requirements that banks must adhere to. The Pillar 1 capital requirement for the group is calculated on the following basis:

- Credit Risk – Standardised Approach
- Operational Risk – Basic Indicator Approach
- Market Risk – Standardised Approach (note the Group does not currently hold any capital in relation to Market Risk)

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 Capital Requirements Regulation as implemented in the UK in the PRA Rulebook. Where disclosure has been withheld due to its proprietary nature or omitted based on materiality, as the rules permit, we comment as appropriate.

The Group has assessed itself as a "small and non-complex institution (SNCI)" based on the definition provided in the remuneration section of the PRA Rulebook, and as a result discloses information as required by Article 433b of the PRA Rulebook[1].

All disclosures within this report have been prepared as at 31 December 2024 which is the Group's latest financial year-end, and include the 2024 audited profits which the Group's Board approved on 28 February 2025.

UTB Partners Plc ("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, and consequently is neither regulated nor approved. The Bank is the only material operating entity within the Group and drives the risk profile of the Group, accordingly UTBP has delegated responsibility for group compliance with prudential requirements to the Bank, and (unless otherwise noted) any reference to governance structures in this document relate to the Bank.

1.4. Frequency of disclosure

In line with Article 433b, the Group's 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 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, if they did not become effective prior to the Pillar 3 reporting date, will become effective in 2025 or subsequent years. Where the regulatory updates did not go live in 2024, the Bank is reviewing the implications of these for the Group and planning any changes necessary to comply with the forthcoming requirements:

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[1] Unless otherwise stated, all references to Articles will be to the PRA Rulebook.

- In September 2024, the PRA released *PS9/24 – Implementation of the Basel 3.1 standards near-final part 2*. This policy statement built on earlier consultation papers outlining the PRA's intentions regarding the implementation of new rules for the Basel 3.1 regime with respect to Credit Risk and Pillar 3. This policy statement followed on from *PS17/23 – Implementation of the Basel 3.1 standards near-final part 1*, which provided the PRA's intentions regarding Market Risk, Operational Risk and Credit Valuation Adjustment. These complete the PRA's statements on the detail of the implementation of Basel 3.1 in the UK. The Bank continues to assess the impacts of Basel 3.1 considering these new standards as its strategy evolves.

  In January 2025, post the reporting date of this document, the PRA announced that following consultation with HM Treasury, the implementation of Basel 3.1 in the UK would be delayed by one year to 1 January 2027. This delay is to allow more time for greater clarity to emerge about the implementation of Basel 3.1 in the United States.

- Additionally, in September 2024, the PRA released *CP7/24 – The Strong and Simple Framework: The simplified capital regime for Small Domestic Deposit Takers (SDDTs)*. This consultation paper set out the PRA's proposals for Pillar 1 risk-weighted capital requirements for SDDTs. For firms which elect to adopt SDDT, the PRA proposes to:

  - apply the same risk-weighted Pillar 1 capital requirements that apply to all firms, but to simplify some elements of those requirements;
  - simplify the Pillar 2A framework and Pillar 2A methodologies;
  - simplify the capital buffers framework while maintaining their overall resilience,
  - simplify the ICAAP, the Reverse Stress Testing (RST) exercise and the ILAAP; and
  - simplify capital deduction requirements when calculating regulatory capital resources.

  Adopting SDDT is a choice available to eligible firms and it is proposed to take effect from 1 January 2027. Whilst the Group meets the criteria to be eligible for SDDT, based on the proposed approach, it does not intend to adopt the regime.

2. Scope and Key Metrics

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 Plc ("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, 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 entity. 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 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") and Indexed Long-Term Repo Facility ("ILTR").

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, where this is required by Article 433b and not already presented within the Bank's Annual Report and Accounts. The Bank's management regularly reports to the Group's Board on prudential matters.

2.1. Key metrics

The table below shows the key metrics for the Bank as at 31 December 2024. All amounts are presented rounded to the nearest thousand. Where rows of the template are not shown, this is because they are blank and have been removed for clarity and to improve readability.

KM1		**31-Dec-24**	**31-Dec-23**
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	330,662	268,495
2	Tier 1 capital	344,803	283,710
3	Total capital	400,094	340,213
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	2,535,096	2,277,864
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	13.04%	11.79%
6	Tier 1 ratio (%)	13.60%	12.46%
7	Total capital ratio (%)	15.78%	14.94%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	0.6975%	0.5625%
UK 7b	Additional AT1 SREP requirements (%)	0.2325%	0.1875%
UK 7c	Additional T2 SREP requirements (%)	0.3100%	0.2500%
UK 7d	Total SREP own funds requirements (%)	9.24%	9.00%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	2.00%	2.00%
11	Combined buffer requirement (%)	4.50%	4.50%
UK 11a	Overall capital requirements (%)	13.74%	13.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.68%	5.71%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	3,979,115	3,502,389
14	Leverage ratio excluding claims on central banks (%)	8.7%	8.1%
	Additional leverage ratio disclosure requirements		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	322,714	257,050
UK 16a	Cash outflows - Total weighted value	160,132	129,034
UK 16b	Cash inflows - Total weighted value	131,347	113,624
16	Total net cash outflows (adjusted value)	40,033	32,258
17	Liquidity coverage ratio (%)	806.12%	796.86%
	Net Stable Funding Ratio		
18	Total available stable funding	3,376,614	3,060,242
19	Total required stable funding	2,367,394	2,057,282
20	NSFR ratio (%)	142.63%	148.75%

3. Risk Management Framework

Full details of the Group's risk management framework, principal risks and uncertainties and emerging risks facing the Group can be found in the Bank's Annual Report and Accounts at www.utbank.co.uk.

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.

Risk Appetite

In overview, 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 limits; and
- Tail Risk Limits

Qualitative measures include:

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

In setting the Bank's risk appetite and risk tolerance levels, the Board and Senior Management have considered all the relevant risks that the Bank faces. The Bank's risk appetite is calibrated using stress testing and scenario analysis through the Bank's ICAAP, ILAAP and Recovery Plan, which informs key risk indicator triggers and limits. These are designed to ensure that the Bank can take appropriate actions to maintain its approved risk profile. 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. 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, considering 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.

Related Party Transactions

All related party transactions were made on terms equivalent to arm's length transactions. During the year there were no related party transactions between key management personnel and the Group. More information around related party transactions is disclosed in note 23 of the Group's Annual Report and Accounts.

Key Performance Indicators

The profitability and growth of the Group companies as outlined in section 2 also has a key impact in the setting of the risk appetite. The Board monitors key performance indicators, including:

Measure	At 31 Dec 2024	At 31 Dec 2023	% Change
Operating Income	£165.0m	£153.0m	7.79%
Operating Profit	£85.6m	£81.6m	4.90%
Cost to Income Ratio	46.1%	42.7%	+341bps
Return on Equity	20%	23%	-300bps
Gross New Lending	£1,851m	£1,792m	3.29%
Loan Book	£3,487m	£3,104m	12.34%
Funding[2]	£3,468m	£3,061m	11.34%
Staff Numbers	435	404	7.67%

[2] *Includes drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs and Indexed Long-Term Repo facility.*

4. Capital resources

As at 31 December 2024, and throughout the period to 31 December 2024, 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 2024 £'000	% of Total	31 December 2023 £'000	% Growth
Share Capital		5,009		5,009	
Share Premium		11,947		11,947	
Profit and Loss Account		325,139		262,803	
Less Intangible Assets		(5,092)		(3,966)	
Less Other Deductions		(12,581)		(12,012)	
Other Reserves		6,239		4,713	
Total CET 1	82.6%	**330,662**	78.9%	**268,495**	23.2%
Additional Tier 1		14,141		15,215	
Total Tier 1	86.2%	**344,803**	83.4%	**283,710**	21.5%
Tier 2					
Subordinated Loans		52,220		53,731	
Collective Impairments		3,071		2,773	
Total Tier 2	13.8%	**55,291**	16.6%	**56,504**	(2.1%)
Eligible Capital	100.00%	**400,094**	100.00%	**340,213**	17.6%

Intangible Assets:
Intangible Assets are deducted from CET1 capital net of applicable deferred tax.

Other Deductions:
Other deductions from CET1 capital relate predominantly to the British Business Bank's ("BBB") Enable Guarantee, with a small amount related to value adjustments due to the requirements for prudent valuation. For more details on the BBB guarantee, refer to section 6.

Deferred Tax:
In accordance with Article 48 of the Capital Requirements Regulation ("CRR"), the Group's deferred tax asset of £3,443k is not deducted from Eligible Capital.

5. Capital adequacy

Capital adequacy is monitored by the Group Board, the Bank's Board and executive management, and is reported to the PRA on a quarterly basis. Capital forecasts, covering the remainder of the year in which the forecast is performed, plus a further 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 Board to consider 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
		2024	2023	2024
1	Credit risk (excluding CCR)	2,420,072	2,198,914	193,606
2	Of which the standardised approach	2,420,072	2,198,914	193,606
6	Counterparty credit risk - CCR	1,429	1,646	114
UK 8b	Of which credit valuation adjustment - CVA	1,429	1,646	114
16	Securitisation exposures in the non-trading book (after the cap)	(157,263)	(150,150)	(12,581)
UK 19a	Of which 1250% / deduction	(157,263)	(150,150)	(12,581)
23	Operational risk	271,100	227,455	21,688
UK 23a	Of which basic indicator approach	271,100	227,455	21,688
29	**Total**	**2,535,339**	**2,277,865**	**202,827**

The table above follows template OV1. Rows with no data have been omitted.

5.2. Pillar 1 capital requirement

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

Credit risk capital requirement – the Group uses the standardised approach to determine its Pillar 1 credit risk capital requirements. 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 requirements. 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, which is addressed in Pillar 2 via a Pillar 2a add-on. This risk is mitigated through its hedging strategy.

6. 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, consequently, 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 and again in December 2023. Qualifying newly originated loans are added to the guaranteed portfolio up to a maximum aggregate facility amount of £350m. 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 £12.6m (2023: £12.0m).

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 £114.1m (2023: £133.5m).

At the year end, no loans covered by the guarantee were impaired (2022: nil). No losses were recognised in respect of these loans.