UNITED TRUST BANK

REPORT & ACCOUNTS **2021**

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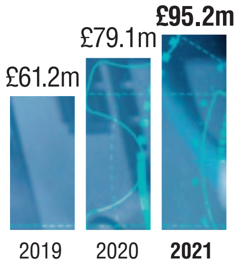
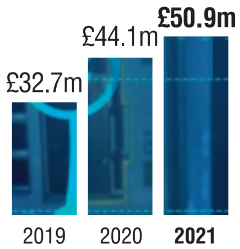
£95.2m OPERATING INCOME



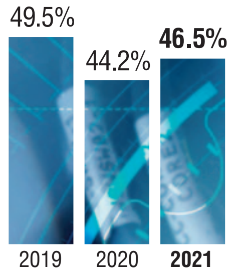
Growth in operating income reflects loan book growth and improved margins

£50.9m OPERATING PROFIT (Before Impairment losses)



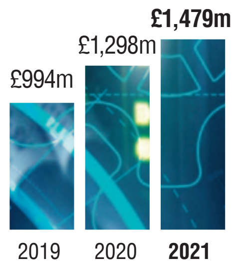
Operating profit growth results from growth in originations, margin and careful cost management

46.5% COST INCOME RATIO[1]



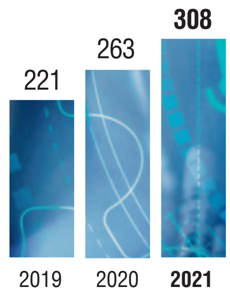
We continue to invest in technology and people to build the Banks platform

£1,479m GROSS NEW LENDING



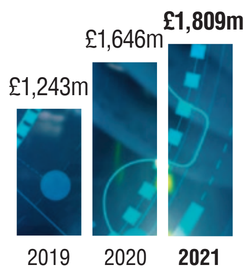
Growth in new business has been achieved whilst maintaining pricing discipline

308 STAFF NUMBERS



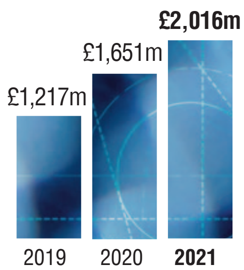
92 members of staff hired in 2021 with total staff growth at 15%

£1,809m LOAN BOOK



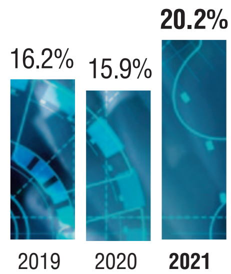
Loan book growth reflected new business volumes

£2,016m FUNDING[2]



Customer deposit balances have increased by 7.2% across 35,000 accounts

20.2% RETURN ON EQUITY[3]



ROE increase due to profit growth and effective risk management

1 Excludes provision for impairment losses
2 Includes the Term Funding Scheme with additional incentives for SMEs
3 Return on Equity is calculated net of the coupon paid on contingent convertible securities

Chairman's Report

The ongoing pandemic has dominated the economic and operating environment during the year. United Trust Bank has operated successfully throughout and we continue to support and serve all our stakeholders. The Bank remains well positioned to make the most of the opportunities arising as the economy recovers. The preservation of the Bank's culture, customer engagement and employee wellbeing have been key priorities throughout the pandemic.

2021 was a year of strong growth for the Bank, both in new business volumes and profitability, and the Bank has maintained its market position. The results have been supported by significantly lower levels of impairment charges, with profit before tax increasing 45% from 2020. Investing in our people and technology continues to be a focus and the Board recognises the importance of maintaining capacity to take advantage of opportunities as they arise.

I would like to thank my colleagues on the Board for their valuable contributions over the year. In particular I would like to thank Noel Meredith who retired in March 2021 after more than 21 years at the Bank and 10 years of dedicated service on the Board. Noel played a major role in the Bank's growth, helping to build a highly respected and successful specialist Bank. His contribution, professionalism and expertise has benefited us all and he will be missed. Thank you Noel, for your invaluable contribution.

My colleagues and I are pleased to welcome Mark Stokes to the Board as Chief Commercial Officer. Mark brings to the Board more than 30 years executive and non-executive experience in financial services, including retail banking and insurance, with strong finance, risk management and commercial credentials. We are also pleased to announce that Alice Altemaire, who was on the Board from 2017 to 2019, returned to the Board as Non-Executive Director in February 2022. Alice brings a wealth of experience to the Bank. The Bank continues to be fortunate enough to be able to call on a wide range of experience and skills represented around the boardroom table.

I would also like to congratulate Harley Kagan on his first year as Chief Executive Officer. Harley has demonstrated expert leadership as the Bank makes the most of the opportunities arising and continues to deliver strong growth. It is testament to Harley and his management team, who have led the Bank during this unprecedented time, for preserving passion and determination, whilst supporting our employees and customers.

Our employees are key in driving the Bank's success, especially in the face of the most challenging circumstances. I would like to thank them all for their commendable dedication and extraordinary levels of commitment to the Bank. Thanks to their hard work, I remain confident that the Bank will continue to thrive in the future.

Richard Murley
Chair
28 February 2022

Chief Executive Officer's Report

I am pleased to report UTB's 2021 annual results following my first year as Chief Executive Officer. It is a privilege to lead such an outstanding team who have delivered an exceptional set of results. During another challenging year, the UTB team responded with resilience, tenacity and a positive outlook to meet the needs of our customers, brokers and their colleagues. I am delighted that their outstanding contributions were recognised with no less than 18 industry awards.

The Bank's disciplined approach to capital, liquidity and risk management has been supported by our collaborative agile culture and resulted in a solid performance and strong results. Operating Profit before impairment charges was £50.9m, an increase of 15% on 2020 and profit before tax grew 45% to £44.4m. New business volumes increased 14%, supporting growth in the loan book to £1.8bn, despite the impact of the pandemic. This growth is a result of many new initiatives launched by our lending and deposit businesses. To support this the Bank has increased staff numbers by 15%, and I am pleased that staff have returned to the office on our new hybrid-working model. The Bank continues to invest heavily in talent by attracting and retaining skilled and knowledgeable staff who share our commitment to delivering excellent customer experiences and good outcomes. One of our key strategic priorities is to develop a scalable technology platform to enable our continued profitable growth. This investment will improve customer and broker experience, enhance operational efficiency, resilience and hybrid working and will be a major focus in 2022.

There has been significant uncertainty in the economy throughout the year, driven largely by the impact of Covid-19 and the aftermath of the UK leaving the European Union. The Government and Bank of England have continued to extend a range of measures to support businesses and individuals and we were pleased to provide qualifying businesses with funding via the Coronavirus Business Interruption Loan Scheme ("CBILS") and the Recovery Loan Scheme ("RLS"). In addition, UTB formed a 5-year alliance with Homes England with the launch of the £250m Housing Accelerator Fund and secured an ENABLE Build Guarantee from the British Business Bank (BBB) to further support SME housebuilders.

The Bank of England increased Base Rate to 0.50% in February 2022, up from 0.25% in December and 0.10% through most of the pandemic but still below pre-Covid 19 levels. As Government restrictions lifted mid-year, business confidence started to return, and consumer spending increased. This, combined with the extension of the stamp duty holiday to October, resulted in strong levels of housing transactions and increased levels of loan drawdowns and repayments. Brexit has affected supply chains in several sectors including retail, agriculture and construction, and although to date we have observed little impact on the performance of our loan books, we continue to monitor this closely.

We remain responsive to the ongoing uncertainty as we learn the true impact of the pandemic and Brexit on the UK economy and our stakeholders. The Bank has performed well in these unprecedented times but we are mindful that it has been a challenging and sometimes stressful period for our colleagues, and we continue to prioritise their wellbeing and provide support as we transition to a new normal. I am also humbled by the many UTB staff who, no matter how busy, have found the time and energy to work with and fundraise for charities UTB has supported including DePaul and Food Bank Aid.

UTB is a dynamic specialist Bank full of talented people who drive our growth and development. I congratulate all our staff for their contributions and thank our customers and broker partners for supporting us. I look to the future with excitement and the strong belief that together we will make the most of the substantial opportunities that lie ahead.

Harley Kagan
Chief Executive Officer
28 February 2022

Business Model

Principal activities and business model

The Bank operates solely in the UK as a credit institution, raising capital and deposits and lending these funds to a range of borrowers. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. It does not provide advice. The Bank's strategic focus has been on developing expertise in a set of niche markets so that the Bank's market position is defensible.

The Bank has continued to extend its range of products and the duration of its lending and plans to maintain this trajectory. Its policy is to take sufficient deposits to meet its lending and liquidity appetite and to tailor its growth to manage capital, liquidity and operational requirements comfortably.

The Bank invests in systems that improve customer and broker interaction, improve efficiency and enable growth and this investment has increased over the last few years. It has been a steady employer of experienced career bankers with considerable market knowledge and practical expertise, augmented by a growing number of staff who are earlier in their careers and to whom the Bank offers training and development opportunities.

The following sections details the core aspects of the Bank's Business model, Purpose, vision, culture and strategic priorities.

PURPOSE

Our purpose is to build a dynamic specialist bank that delivers solutions for our customers to help them achieve their ambitions and support our people so they can thrive.

VISION

Our vision is to be a respected, resilient and profitable specialist bank, which employs outstanding people and balances an enterprising and innovative spirit with a commitment to long-term sustainable growth. Our people are professional, engaging and progressive and have the freedom to operate to deliver excellence in everything we do. Our expertise and experience helps our customers to fund business growth, build new homes, invest in properties, buy their own homes or grow their savings. Our differentiators are the quality of our people, our transparent and supportive culture, deep product specialism, pragmatism and our willingness to be accessible and work collaboratively with clients.

CULTURE

The Board recognises the importance that culture and values play in the success and sustainability of the Bank, and the role of the Board in establishing, monitoring and assessing culture. The Board also acknowledges the importance of individual directors, and the Board as a whole, acting with integrity, leading by example and promoting the desired culture and in monitoring how the Bank's culture and values are communicated and embedded.

Our values encourage and support diversity and inclusion at all levels of the Bank, helping the communities we operate in and reducing our environmental impact, and are consistent with the Bank's policies, practices and behaviours. We care about the prosperity and wellbeing of our people, customers and other stakeholders and endeavour to make a positive impact on our community and the environment.

We are guided at all times by our **core values:**

Customer focus We empower our people to work thoughtfully, flexibly and closely with our customers and brokers to help ensure their success. In addition, we use technology to enable exemplary service.

Responsibility We act responsibly and seek to support projects that are financially, socially and environmentally sustainable.

Teamwork We work collaboratively and inclusively with colleagues, brokers, customers and professionals. We value diversity and welcome multiple perspectives, to create a friendly and rewarding culture in which everyone's opinion is heard.

Integrity We build strong, enduring relationships based on the highest standards of open, honest and transparent dialogue.

Tenacity We empower and encourage our people and give them freedom to operate to find solutions and overcome obstacles to deliver commercial results.

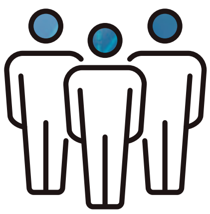
PRIORITIES

Strategic Priorities

The Bank's strategic priorities focus the Bank on ways to protect, grow and sustain the business model, to enable us to deliver strong risk adjusted returns and excellent results for all of our stakeholders. The Bank's 6 strategic priorities capture the key strengths of our business model and ensure they remain a key focus for the Board. They also ensure the Bank is following a disciplined approach to growth and preserving the key attributes that generate value for our shareholders, which are reflected in our strong ROE of 20.2% (net of the cost of the contingent convertible securities) which was achieved in 2021 (2020:15.9%).

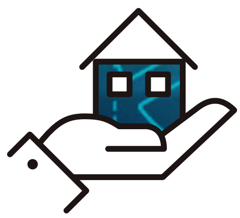
Our People	Recruit, develop and retain the best people and ensure they flourish.
Reputation	Build a brand and culture we are proud of
Niche Specialist	Build a strong specialist banking franchise by progressive growth in originations
Customer Focus	Improve customer experience and good outcomes through strong relationships
Credit Quality	Maintain excellent credit quality and our conservative foundations
Digital Strategy	Build a scalable user-friendly technology platform that enables growth

95 new people



95 members of staff hired in 2021 with total staff growth at 15%

6,500 new homes



6,500 homes built have been supported through our lending.

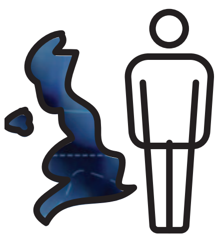
18 awards

18 awards won across our specialist sectors

0.38% risk ratio

0.38% Low cost of risk ratio

30 specialists



30 BDM specialists operating across England and Wales

8 digital projects

8 significant digital projects initiated

Financial Overview

Review of results

The Bank's operating profit before impairment charges increased 15% to £50.9m (2020: £44.1m), reflecting loan book growth, a strong net interest margin and careful cost management. The net interest margin of 5.01% increased on prior year (2020: 4.73%) reflecting pricing discipline and a fall in the cost of funds. As a result, operating income increased by 20.4% to £95.1m (2020: £79.1m).

Operating expenses before provisions increased by 26.7% to £44.2m, reflecting ongoing investment in staff and technology platforms.. As a result, the cost income ratio increased to 46.5% in 2021 (2020: 44.2%). The cost of risk (being the provision for impairment losses divided by the average loan balance over the year) at 38bp was lower than 2020 (95bp) following the resolution of some historical recovery cases during that year.

Total assets increased 20.7% over the year to £2.25bn (2020: £1.87bn) driven by new business volumes, particularly for Asset Finance and Specialist Mortgages loans. Loan book growth was further supported by Government support on lending scheme such as CBILS, Homes England and Term Funding Scheme with additional incentives for SMEs ("TFSME"). Despite good new business volumes, loan book growth was somewhat muted in the first half of the year by higher than normal activity in the residential property market, resulting in strong loan repayments. Total liabilities were up 21.5% to £2.06bn (2020: £1.69bn) mainly due to higher customer deposits and the TFSME scheme.

Total capital and reserves increased by 13% to £196m (2020: £174m), reflecting the retained profit in the year less a dividend payment of £12m. Return on average equity increased significantly to 20.2% (2020: 15.9%) reflecting the strong performance of the Bank over the year, as we maximised market opportunities as the economy begins to recover.

Treasury and Funding

Total customer deposit balances increased by 7.1% to £1.72bn (2020: £1.60bn) across 35,000 accounts. The FSCS scheme covers over 88% of aggregate deposit balances. The majority of our deposit customers are retail, and we are active in the ISA, SME, and charity markets as well as on the Hargreaves Lansdown Active Savings platform.

The Bank's liquidity reserves, including its liquidity buffer, are held at the Bank of England ("BoE"), while operational balances are held with UK clearing banks. In May 2020 the Bank joined the TFSME scheme, drawing £50m in June of 2020, secured by Asset Finance loans. A further £250m was drawn from the scheme in October 2021 supported by additional collateral placed with the Bank of England.

Regulation

The Bank's Common Equity Tier 1 ("CET1") ratio was 12.7% (2020: 11.4%) at the end of the year, and its Total Capital Ratio was 16.2% (2020: 15.4%), comfortably exceeding the Bank's Total Capital Requirement ("TCR") (excluding regulatory buffers) of 9.00% (2020: 9.00%). In October 2021, the Bank redeemed £4m of Tier 2 subordinated debt reducing the total balance of Tier 2 debt to £29m.

The Countercyclical Capital Buffer ("CCyB") requirement has remained at 0% since the Bank of England reduced it in light of the pandemic. The BoE has recently announced that the CCyB will increase to 1% in December 2022, with the expectation of a subsequent increase to 2% in the second quarter of 2023. The CCyB is in addition to the Capital Conservation Buffer of 2.5%. At the end of 2021, the total amount of capital committed to the 2.5% (2020: 2.5%) combined buffers, which apply to all banks in the UK, was £34m (2020: £32m).

To manage the Bank's compliance with new and existing requirements, the Bank employs experienced professionals in the relevant areas, conducts continuous quality assurance work, has a mature and comprehensive governance framework and maintains an active and open dialogue with its regulators.

Principal risks and uncertainties

The Bank classifies the risks it faces into various categories. Further detail on these categories and the Bank's approach to risk management can be found in the Risk Management Report set out on pages [xx] to [xx].

At present, the principal risks and uncertainties, which the Bank is facing are:

- Economic environment: Covid-19 and Brexit have affected economic activity and the outlook for the UK remains uncertain. The UK residential and commercial property markets have seen a spike in prices and transactions, driven in part by Government support such as stamp duty holidays and lending schemes, including Homes England, CBILS and RLS. As lockdowns eased mid-year, business confidence returned and with it an increase in consumer spending. Whilst this recovery was stalled by the impact of the Omicron variant, the economic impact is expected to be less severe than the initial phase of the pandemic in 2020. However, the emergence of inflationary pressures, primarily driven by supply chain issues, shortages in labour availability in some sectors and higher energy prices, has introduced more risk into the economic outlook. Emerging inflation has already begun to drive interest rate rises and this combination is expected to squeeze business profit margins and household budgets. 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 pages [x] to [x].

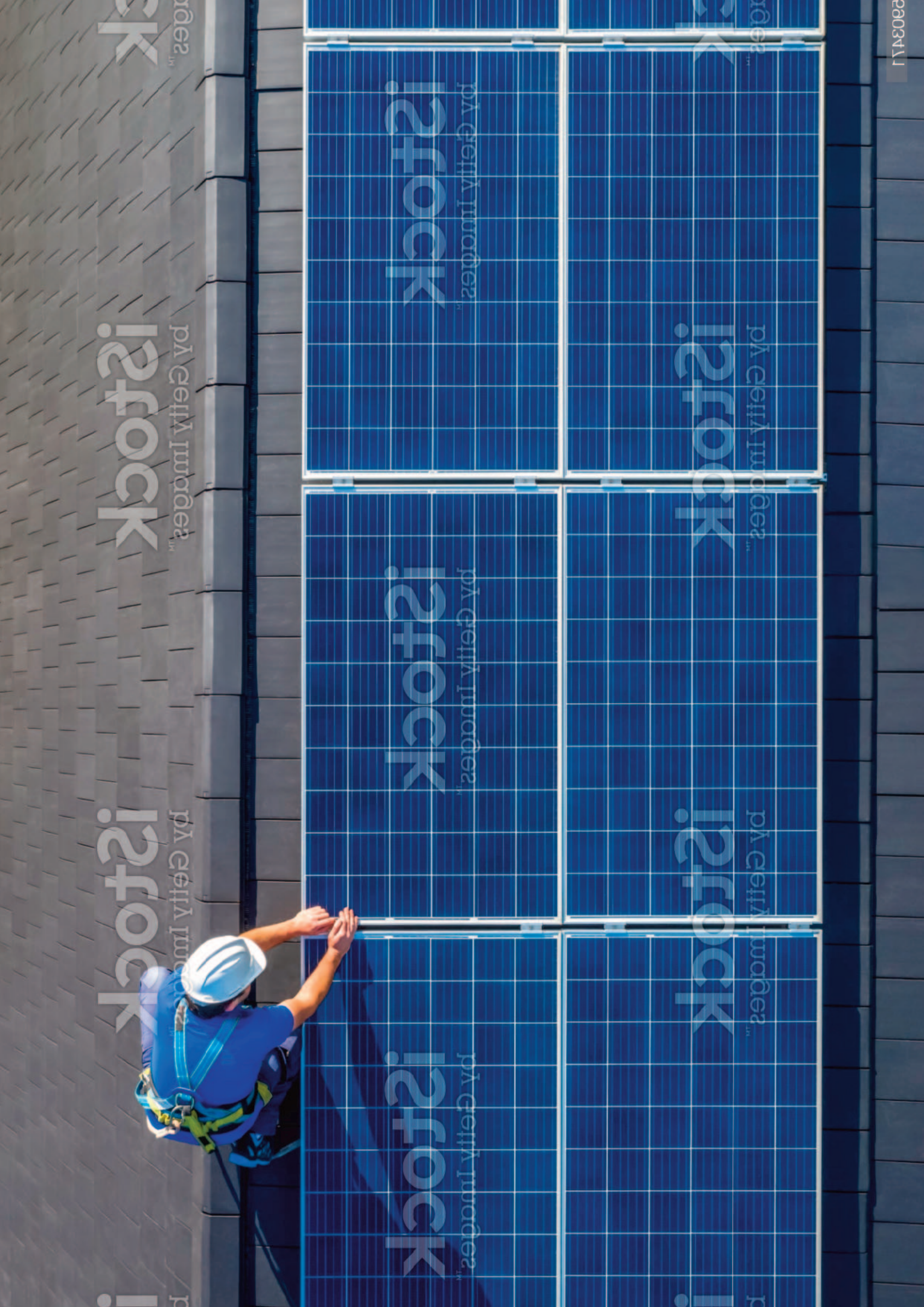
- Credit: Credit risk is the risk that the Bank's counterparties will be unwilling or unable to meet their obligations to the Bank as they fall due. It is the Bank's most significant risk. It is mitigated through strict underwriting standards and a pro-active approach to monitoring the loan portfolios and to managing arrears, defaults and recoveries. Provision for impairments has reduced from £13.5m to £6.5m in 2021 mainly as a result of the resolution of a number of historical recovery cases where we held provisions. Uncertainty remains, however, and we continue to closely monitor the economy and its potential impact on our customers and the market. For more information on provisions for impairment losses on loans and advances, this can be found in note 10 on page [x].

- Interest rates: interest rate risk is 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 a simple and transparent balance sheet and a low appetite for interest rate risk, which is limited to that needed to operate efficiently. The Bank's appetite for interest rate risk has increased slightly to accommodate the evolving funding structure. The Bank continues to manage interest rate risk organically by raising longer-term deposits.The interest rate market and yield curve continue to be affected by the fallout of Covid-19 and its impact on global supply chains, inflation and the economy in general. The sensitivity analysis on interest rate exposure is shown in note 26 on page [x].

- Cyber security: Cyber risk is a form of operational risk and is the risk of the Bank's information technology systems being penetrated to steal data or otherwise cause harm or disruption. Mitigating this risk is an ongoing and increasing challenge for any institution. The Bank continues to invest in people and technology with dedicated cyber security staff and resources who manage a range of preventative, detective and recovery measures. Nonetheless, we remain vigilant with a focus on testing and evaluating these measures and associated procedures.

- Regulatory requirements: Prudential regulation of banks is now relatively stable, whilst operational resilience and conduct regulation and risk continue to evolve. To manage the Bank's compliance with new and existing requirements, the Bank employs experienced professionals in the relevant areas, conducts continuous quality assurance work, has a comprehensive and evolving governance framework for its size and complexity and maintains an active and open dialogue with its regulators.

- Climate Change risk: Represents an area of increasing focus, both within the Bank and across the industry more broadly. We continue to closely monitor regulatory updates as well as best practice in the industry and are currently exploring different routes to leverage this as appropriate to support and further develop the Bank's climate change risk framework. The Bank continue to work towards understanding the potential risk of financial loss resulting from the physical or transitional impacts of climate change.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The Bank acknowledges that sustainability is increasingly important to all of our stakeholders and that the Board has responsibility to lead the Bank's efforts to address key Environmental, Social and Governance issues such as the threat of climate change, diversity and inclusion and supporting our employees' and customers' needs. At UTB acting responsibly is integral to our corporate values. Actions and the Board's priorities are shown below:

Our Priorities	Our Mission	Our Targets
Environment, Social and Governance	Reducing our impact on the environment and tackling climate change	Contribute to a net zero carbon economy by 2050
Diversity and Inclusion	Ensuring we are a diverse and inclusive employer	Ensuring diversity and inclusion is a priority when hiring and promoting staff
Employees	Supporting and developing our employees	Maintain strong employee engagement and continue to develop and promote our employees
Customers	Promoting financial inclusion for borrowing and ensuring our customer needs are met	Improve customer satisfaction scores across our business

Sustainability Report

Environment, Social and Governance

Climate Change

The Bank recognises the importance of addressing the threat of climate change. Ongoing work to identify the risks and opportunities for the Bank remains a key area of focus for the Board and senior management. This is a challenge and a potential opportunity that requires action in this decade. We take our responsibility towards the environment seriously and are supportive of the goals of the Paris Agreement to achieve a net zero carbon economy by 2050.

To address this risk, the Bank formed a Climate Change Committee with four sub-committees in 2020, each chaired by a member of the Bank's Management Committee. These sub-committees cover four work streams: Innovation; Risk Management; Scenario Analysis; and Disclosures, and are progressing through the topics to understand and address the impact of climate change risk on the Bank and its customers and managing the Bank's response to it.

The Bank's Climate Change Committee and its sub-committees developed a comprehensive action plan in 2020, reflecting the Task Force on Climate Related Financial Disclosure ("TCFD") requirements and the PRA's expectations as set out in supervisory statement SS3/19. This plan has progressed well in helping to understand the impact of The Bank's operations on climate change, on our customers, our portfolios and business resilience. This action plan has initiated the work to begin to build and enhance our capabilities for the identification, management, monitoring, scenario modelling and disclosing climate change risks and opportunities. The Board is aware that this is the beginning of a journey with more required to meet TCFD requirements by the end of 2022 and to embed climate considerations into the Bank's business strategy, customer engagement, and our financial and strategic planning.

The Board has ultimate responsibility for Climate Change risk and the key activities that the Bank has undertaken throughout the year. The Climate Change Committee reports to the Board on a regular basis, setting out the progress made across all the committees, in order to help support the Board's decision-making process. The Board and senior management have received appropriate training, delivered by both internal and external parties, including the Chief Operating Officer, who is the responsible officer within the Bank.

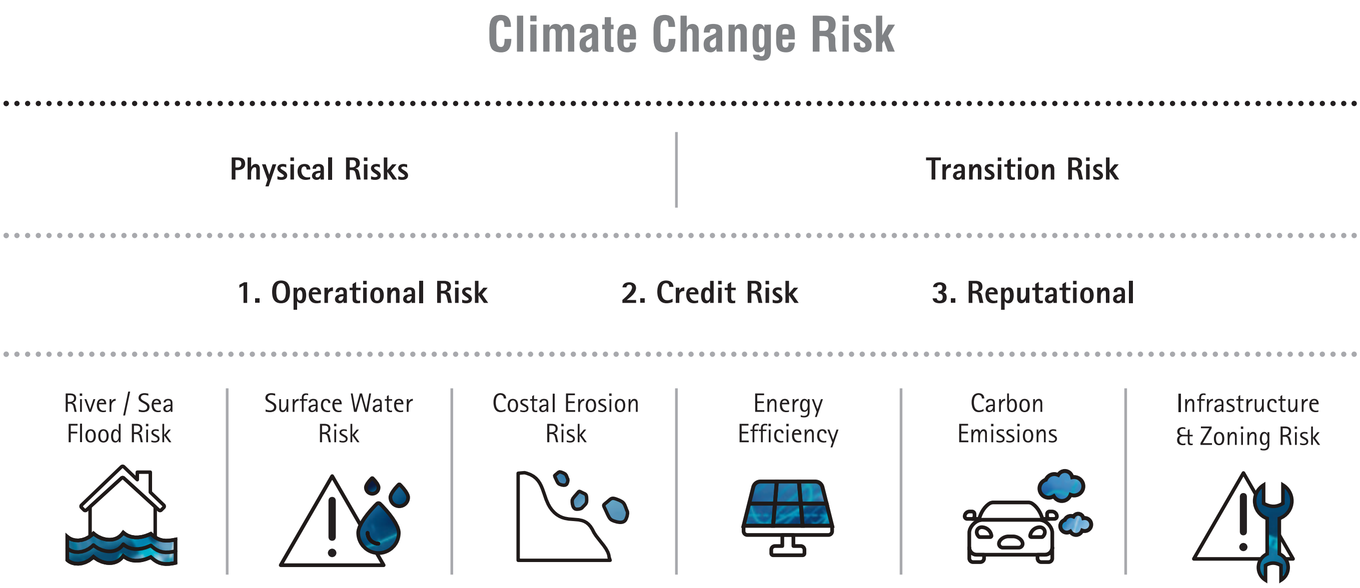
More details of what each committee has been working on can be seen overleaf.

Climate Change – Risk Management

The PRA's and FCA's Climate Financial Risk Forum ("CFRF") Risk Management Working Group has published a list of risk categories for banks to consider. The most material risk categories identified by and applicable to the Bank are credit risk, operational risk and reputational risk. The risks of climate change to the Bank occur through two main streams:

The first stream covers physical risks associated with changes in climate and weather, more details of these can be seen below.

The second stream is transition risk, which covers risks arising from society's response to climate change risk and from changing to a zero carbon economy. Transition risks may occur as policies are introduced to manage climate change which impact technology, regulation, business operations and the economy more generally. The table below provides an indication of the type of risks the Bank is exposed to, where we continue to assess the overall impact on our current portfolios. As we only operate in England, Scotland and Wales our geographic impact is limited.



In respect of credit risk, UTB's most material risk, the CFRF expects banks to start building data sets with a long-term goal of quantifying climate change risk in terms of probability of default ("PD") and loss given default ("LGD"). The ability to gather and store climate change related data is integral to the Bank's ability to monitor and manage these risks and to discharge its regulatory obligations under the CFRF. A new project was initiated in December 2021 for the purposes of climate change data collection. Each loan portfolio has been assessed to identify the relevant data that the Bank currently has stored and what data will need to be collected.

In the short term, internal and external data (accessible via public websites) is being collected and used for scenario analysis and to provide an informed view on climate change risks embedded in the loan books. The data collection project will be overseen by the Climate Change Risk Management sub-committee and progress will be regularly reported to the Climate Change Committee and Board.

Climate Change - Scenario Analysis

The Bank has undertaken scenario analysis to assess the Bank's physical and transitional climate change risk exposure. Scenario Analysis represents another core component of the risk management framework and supports our assessment and understanding of the risks which the Bank might be exposed to in future. The results of our analysis have not led to a change in strategy, but provide valuable insights to the Board and senior management and can help shape the Bank's strategy. The Bank is on track to provide enhanced metrics for scenario analysis in our 2022 Annual Report as recommended by the TCFD.

Climate Change - Innovations

The Bank recognises its responsibility as a lender to support the aims of a net zero economy through influencing customer behaviour. It acknowledges the emissions impact of the assets and sectors it finances. Furthermore, we recognise the efforts we need to make to reduce the impact of our own operations on the environment. The Climate Change Innovations committee has been working to identify initiatives and put these into practice and embed them into the Bank's culture. Some of these initiatives can be seen opposite:

- Funding/Lending: We are undertaking work to assess the climate exposure of our loan books and funding book. The Bank is exploring deposit products which can be linked to funding more carbon neutral assets. The Bank is in the early stages of this project and is looking to make further progress in 2022.

- Plastics: The Bank has actively attempted to reduce and remove where possible the use of single use plastics. Staff members have been provided with their own reusable glass water bottles to reduce the purchase of single use plastics.

- **Recycling**: The Bank continues to encourage all staff to recycle waste both in our London office and when working from home. We urge all employees to minimise unnecessary printing and consumption and to continue to promote the use of recycled and sustainable materials wherever possible.

- **Staff Education:** It has been a priority for the Bank to educate staff about climate change, why it is relevant to the Bank and most importantly how we can reduce the impact we are having on the environment as a Bank and on an individual basis. Regular articles on climate change are published on the Bank's intranet.

- **Climate Change Champions:** An additional working group has been created, open to all staff members, to lead on how we can reduce our carbon footprint. A number of initiatives have commenced including going paperless. The Bank has participated in vegan month, providing vegan snacks for all staff and a cookbook providing ideas for vegan recipes.

- **Marketing:** Since 2019 the Bank has significantly reduced the volume of printed material by moving to digital marketing communications and using sustainable materials. This has contributed to an overall reduction in marketing print of c.60%.

- **Suppliers:** The Bank has looked into the way we assess our suppliers and gather relevant information, which will be launched in 2022. This initiative will gather information on how each supplier is approaching ESG and what they are doing to reduce their own carbon footprint. This will allow us to analyse each supplier and, where we are able to, to choose those more aligned with our climate change goals.

- **Hybrid Working Model:** The Bank has adopted a "hybrid" working model which has lowered the carbon footprint of the workforce, in part by reducing the need for staff to commute every day.

- **Electric cars:** A new initiative commenced in January 2022, to allow staff to lease electric and hybrid cars through a HMRC approved salary sacrifice scheme.

- **Cycle scheme:** UTB has actively been participating in the cycle to work scheme since 2018. This allows employees to receive a discount on purchasing a bike and forms part of a salary sacrifice scheme.

Climate Change Disclosures

We are on track to report enhanced disclosures in our 2022 annual report in alignment with TCFD, which we are committed to enhancing further year on year. We will be including key metrics and targets beyond our operation's direct energy consumption and emissions, which are detailed later under the Carbon Reporting section. The Bank recognises that there is much work to be done and we are dedicated to making frequent, transparent TCFD disclosures to communicate our progress as we develop our climate capabilities. We will continue to encourage all of our stakeholders to do the same.

Energy and Carbon Reporting

In 2020, the Bank initiated energy and carbon reporting to meet the requirements of the Streamlined Energy and Carbon Reporting ("SECR") standards and to improve the information available to our stakeholders. The Bank accounted for the emissions in the section below for 2021, as defined by the international Green House Gas ("GHG") Protocol. As a predominantly office based business, the bulk of our emissions are indirect, mainly electricity used to run the office and computing resources. The GHG splits the emissions into three categories:

- **Scope 1**, Direct emissions – These are GHG emissions caused by activities owned or controlled by the Bank. The Bank owns two electrical vehicles and energy use from both vehicles totalled 1,677 kilowatt hour (kWh)¬ and 0 emissions (tCO2e).

- **Scope 2**, Indirect emissions – These are GHG emissions which are a consequence of our activity, but arise from sources we do not own or directly control. Indirect emissions include electricity and gas consumption and are our highest source of GHC emissions. See details in the table below.

- **Scope 3**, Other – These are emissions that are a consequence of the Bank's actions, at sources which the Bank does not own or control and that are not included within Scope 2. Scope 3 would include, for example, emissions from business travel by a limited number of staff who use their own vehicles for broker and customer visits. Calculating the volume of these emissions requires knowledge of the emissions of each employee's vehicle, which we do not have records of, so we have calculated the emissions shown overleaf based on average mileage claims submitted by employees.

Breakdown of UK energy consumption used to calculate emissions (kWh):	Year Ended 31 December 2021	Year Ended 31 December 2020
Company owned or controlled vehicles	2,684	1,677
Electricity	296,443	259,553
Heat, steam and cooling[1]	779,415	674,829
Employee owned vehicles where the Bank purchases the fuel	25,046	33,451
Total gross energy consumed	1,103,588	969,510

[1]Includes heat provided by natural gas-fired plant not under the Bank's direct operational control (as a result of occupying multi-tenanted buildings where heating is part of the service costs). For the purposes of SECR this consumption is treated as a Scope 2 emission.

Breakdown of UK emissions associated with the reported energy use (tCO_2e):	Year Ended 31 December 2021	Year Ended 31 December 2020
Scope 1		
Company owned or controlled vehicles	-	-
Total Scope 1	-	-
Scope 2		
Electricity	62,731	60,512
Heat, steam and cooling	169,832	139,443
Total Scope 2	232,563	199,955
Scope 3		
Employee owned vehicles where the Bank purchases the fuel	31,337	41,664
Total Scope 3	31,337	41,664
Total gross emissions	263,900	241,619

Intensity ratio		
Tonnes of CO_2e per employee	0.96	1.02

Actions to reduce Carbon Footprint

- The only direct scope assets owned by the Bank are two cars, both of which are fully electric to reduce direct emissions.
- We have now returned to working from the office on a hybrid model and have seen a consequential increase in electricity usage in the office, albeit this is offset by electricity and gas used by employees working from home. Nevertheless, we are presently looking to replace the existing lighting system with low voltage lighting with activity sensors.
- The majority of our electrical usage comes from the Bank's computer systems. The Bank already uses a number of cloud-based systems and has a strategy to migrate more systems into the cloud, noting that cloud hosting solutions tend to have lower energy consumption for the same computing power.
- The Bank continues to encourage staff to reduce their own environmental impact by offering an electric car scheme, season ticket loans for public transport, cycle to work schemes and waste recycling schemes in the office.

Social

The Group supports a staff-nominated charity, which focuses on social issues, and organises events throughout the year to raise awareness and to involve its employees. The Group matches eligible charitable donations of staff. During the year, the Group has also made specific Covid-19 related donations, including donations to food banks.

Diversity and Inclusion

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

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

The Board is committed to:

- Creating an environment in which individual differences and the contributions of all team members are recognised and valued.
- Creating a working environment that promotes dignity and respect for every employee and provides support to staff when appropriate, for example during the pandemic or through life events.

- Not tolerating any form of intimidation, bullying, or harassment, and disciplining those that breach this policy.
- Ensuring that training, development and progression opportunities are available to all staff and are based on aptitude and ability.
- Promoting equality in the workplace.
- Encouraging anyone who feels they have been subject to discrimination to raise their concerns so that corrective measures can be applied.

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

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

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

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

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

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

- Gender Pay Gap: As part of our commitment to maintaining our inclusive culture, we are focused on reducing our gender pay gap, which is one way in which we review our progress on improving gender balance across the Bank. We plan to start publishing gender pay gap results on our website in 2022.

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

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

Employees

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

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

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

Customers

The impact of the pandemic has been an incredibly challenging environment for our customers and clients. We continue to support them as they navigate these difficult times.

We also continue to develop and provide new technology, processes and products to ensure that the Bank maintains its high levels of service and care. The Bank has participated in a variety of Government backed loan schemes to support its customers, including the CBILS scheme, Homes England and Recovery Loans Scheme, which aim to aid economic recovery and improve the terms on offer to borrowers where they have been impacted by the pandemic. Additionally, during the pandemic, the Bank provided a broad range of forbearance offers and other measures to ensure that the Bank's customers and clients felt supported. The way we work operationally has also been enhanced to ensure more staff are to provide customer support while they are working remotely.

Industry awards received have continued through 2021, and once again, the efforts of staff have been recognised, by winning 18 awards across many of our business lines:

- BDM of the Year - Paul Delmonte - Crystal Ball Specialist Finance Awards 2021
- Best Secured Loan Provider - Money facts Awards 2021
- Development Lender of the Year - Specialist Finance Introducer (SFI) Awards 2021
- Secured Loan Lender of the Year - Specialist Finance Introducer (SFI) Awards 2021
- Best Product Innovation (Fast Track) - Specialist Finance Introducer (SFI) Awards 2021
- Best Second Charge Mortgage Lender - Financial Reporter Awards 2021
- Best short term lender - Financial Reporter Awards 2021
- Best Second Charge Lender - Mortgage Strategy Awards 2021
- Best Regulated Bridging Lender - B&C Awards 2021
- Best Specialist Bank award - B&C Awards 2021
- Outstanding UK Bank-Owned Lessor - Leasing World Gold Awards 2021
- Nathan Mollett awarded contribution to Industry Award - Leasing World Gold Awards 2021
- Gavin Diamond awarded Business Leader Bridging - British Specialists Lending Awards 2021
- Nathan Mollett awarded Lifetime Achievement - Asset Finance Connect conference & awards
- Buster Tolfree awarded British Specialist Lending second - British Specialist Lending Awards
- Secured Loan Lender of the Year - Mortgage Introducer Awards 2021
- Robert Owen awarded Lifetime Achievement Award - Mortgage Introducer Awards 2021
- Best Credit Team (Asset Finance) - Asset Finance Solutions Meet the Funder awards

"We support staff development through training and development programmes and an employee run sports and social committee, which arranges a number of events each year to enhance staff engagement.

Section 172

Matters considered when promoting the success of the Bank

Under Section 172(1) of the Companies Act 2006, the directors are required to describe how they consider a broad range of stakeholders when performing their duty to promote the success of the Bank.

UTB has developed into a successful and profitable business, whose success is driven by focus on core values, a clear strategy and efforts to consider our stakeholders' interests throughout our decision making process. In this statement we have detailed our key stakeholders, their importance to our business and how we have engaged with them throughout the year. We then provide examples of key decisions we have made in the year, describing how we considered stakeholders in these decisions and how the decisions will add long-term value.

Stakeholder engagement

We recognise and promote the importance of respectful business relationships with our stakeholders across all of our business lines, and we are committed to engaging with them to ensure we maintain long-term relationships and add long lasting value to the wider community in which we operate. Below we give examples of stakeholder engagement:

- Employees: The Bank had 308 employees as at 31 December. We are lucky to have a workforce who we can place a great deal of faith in. The directors recognise how the Bank's employees help drive the success of our business through their high levels of expertise, passion and strong relationships with our customers, brokers and other external stakeholders. The directors understand the importance of regular engagement with our employees to ensure the Bank attracts, builds and retains a diverse and high calibre talent pool and maintains the high levels of employee motivation for the work and for the Bank. Additionally, we have continued to focus on training and development programmes for employees to help them reach their full potential The Bank ensures engagement with our employees takes place daily through line managers, appraisal process, with senior management team-led Town Halls and other business forums. We also engage with our employees through anonymous employee opinion surveys, where the results allow us to analyse what is working well and to identify areas needing improvement to ensure continued commitment of the success of the Bank.

- Customers: Customers remain at the heart of our business. We have a customer focused strategy, purpose and values, which are shown through our continuous interaction via regular meetings and customer feedback programmes. We continue to focus on a responsive service with solutions that are flexible, responsive and executed with speed by continually adapting to our customers' needs by investing in technology and our people.

- Brokers: The intermediaries we operate with are crucial to the success of the business and we understand the importance of maintaining strong lines of communication with our brokers and other suppliers. Staff engage with our brokers regularly throughout the year and feedback is continuously communicated to the directors through monthly departmental review meetings, so that we can support our brokers and their needs, help them understand the products and services offered by the Bank and help them drive growth and success across the business lines. This year we have particularly focused on continuing to streamline our broker experience, leading to faster and self-service lending decisions, as well as improving our business development staff and sales contact experience through the introduction of a new customer relationship management system.

- Regulators: It is within the Bank's culture to promote high standards of compliance and conduct within the Bank and with external parties. In particular, as directors of a regulated bank which holds customer deposits, safety, soundness and adherence to all relevant aspects of regulation is key to the Bank's business model. The directors and staff maintain awareness of this through engagement with regulators, industry bodies and specialist advisors. This engagement is maintained through regulatory seminars, online forums and round table events. This has allowed us to stay on top of the increasing regulatory requirements and ensure we operate to the standard required.

Key decisions

Our strategy is focused on the long term, to operate and grow sustainable business in segments of the market that are under served by the large banks. The Bank is privately owned and not subject to the distractions of short term share price fluctuations of the public markets. We make careful decisions to maintain strategic focus, control costs, invest and ensure sufficient capital and liquidity is held. All of the decisions we make consider the regulatory context and the full range of stakeholders mentioned previously.

- Covid-19 response: Covid-19 continued to present challenges for colleagues, customers and clients this year and our priority has been to ensure that the Bank has remained in a position in which it can continue to support its employees and customers. The UK began to slowly open up mid-year and we moved to operating on a hybrid working model, being a combination of remote working and working from the office. As restrictions increased again in December, more staff reverted back to working from home. We remain vigilant on the effects of the pandemic. The Bank's management continues to monitor Government updates and guidance. The Management Committee, Board and the regulators have been kept informed of the impact of the pandemic and the Bank's response to it.

- Employee support: Looking after the safety and wellbeing of our employees and ensuring their continued engagement has always been our priority and this has been made more relevant and important since the start of the Covid-19 pandemic. We have made sure to focus on the impact of Covid-19 on our employees by prioritising our response to lockdowns, hybrid working, reviewing wellbeing issues and the discussion of employee opinion surveys.

- Customer support: In 2021 we have continued to maintain regular contact with our customers and increased their options for interaction with us, while our systems have ensured speed and simplicity in response to their needs. We continue to support our customers through the ongoing impact of Covid-19.

- TFSME: We made the decision to use a portfolio of UK Government debt as additional collateral in the Bank of England Single Collateral Pool in order to support a total of £300m of drawings from the scheme prior to its closure to further drawings at the end of October. Over time, this portfolio of government debt collateral is expected to be replaced by loan assets.

- Capital allocation: In the year we redeemed £4m of Tier 2 debt as planned. Additionally, a £12m dividend was paid to the Bank's 100% shareholder, UTB Partners Limited. The £12m dividend helped rebalance the Bank's capital base, funded the Employee Benefit Trust, which was established in 2020 to help recognise and reward employees, and provided some liquidity to shareholders. More detail can be seen on page [x].

- Credit policy: The Bank's lending criteria was tightened at the start of the pandemic and has been relaxed somewhat since, as the impact of the pandemic became better understood. With customers in mind, the Bank agreed a large number of payment holiday requests, which have all expired, and the subsequent performance of these loans has been better than expected. Additionally, provisions for impairment losses were lower than experienced in 2020 following the resolution of some historical recovery cases.

- Government support schemes: In order to help support its customers, the Bank joined a scheme run by Homes England, the Government's housing delivery agency, and the Bank established a £250 million lending alliance to support small and medium sized builders with development finance at up to 70% Loan to Gross Development Value. This alliance will improve access to finance offered to smaller builders and drive the continued diversification of the housing market over the coming years. Additionally, the Bank offers Recovery Loan Scheme ("RLS") facilities of up to £10m, supporting access to finance for businesses as they recover and grow following the Covid-19 pandemic.

- Climate change impact plan: We take the impact of climate change seriously and have undertaken a lot of work in the year to deepen our understanding of the types of risks the Bank faces in relation to climate change and of the impact of the Bank's operations on climate change. We continue working towards more advanced disclosures for 2022. More information can be seen on pages [x] to [x].

- Audit Tender: Due to audit independence requirements, Deloitte, the incumbent auditor of the Bank is nearing the end of their allowed tenure and the directors decided to run a tender process to identify a replacement. PwC have been selected as the Bank's new auditors, and their first audit will be of the year ending 31 December 2022.

- Motor Finance Closure: The strategic decision was made to exit the Motor Finance market in March and consequently the Bolton office has been closed.

- Staff and Board changes: In line with growth, the Bank has hired 95 members of staff in the year, bringing the total to 308 staff. We were pleased to welcome Mark Stokes our Chief Commercial Officer to the Board as Executive Director. We are also pleased to announce that Alice Altemaire, who was on the Board from 2017 to 2019, will return to the Board as Non-Executive Director in February 2022. Alice brings a wealth of experience to the Bank. We also welcome James Masters as the Bank's first Chief Technology Officer. James is tasked with further developing the Bank's digital strategy and IT infrastructure to enhance the customer, broker and employee experience, and to support UTB's future growth.

In closing, once again I thank our Board, staff, customers and brokers for all their support through the year and look forward to working together in the coming years.

Harley Kagan
Chief Executive Officer
28 February 2022

Board of Directors and Committee Membership

RICHARD MURLEY

Chair

Richard Murley studied law at Oxford University and began his career at Linklaters & Paines before moving into investment banking with Kleinwort Benson and Goldman Sachs. Following a two-year secondment as Director General of The Takeover Panel, he joined NM Rothschild & Son where he is a Senior Advisor. Richard is the Chair of Macmillan Cancer Support and a trustee of the Epilepsy Society and the Royal Society for Medicine, and is a member of the Medical Research Council and The Takeover Panel.

HARLEY KAGAN

Chief Executive Officer

Harley Kagan is the Chief Executive Officer of United Trust Bank and a chartered accountant. He has held a number of roles including leading the Bank's lending businesses and CFO. He has worked extensively in banking and corporate finance, concentrating on acquisitions and disposals and was the Finance Director of the UK Operations of Insinger de Beaufort. He also worked as a strategy consultant with Cap Gemini.

JONATHAN AYRES

Executive Director

Jonathan Ayres is the Chief Financial Officer of United Trust Bank, a position he previously held at C. Hoare & Co. and Ecofin. He qualified as a chartered accountant with Price Waterhouse where he specialised in banks and fund managers before becoming an equity analyst at Goldman Sachs. He studied Computer Science at Cambridge University. He is the Chair of UK Finance's Specialist Banks Working Group and a member of their Financial and Risk Policy Committee.

ANDREW HERD

Non-Executive Director

Andrew Herd is the Managing Director of Lancashire Court Capital Limited, a London-based investment and consultancy business. He is Non-Executive Chair of VGC Developments Limited a UK leisure and gaming operator and a Non-Executive Director of Nexus Group Holdings Limited a property and publishing group. He is a chartered accountant and worked as a merchant banker for many years. He was Managing Director and Head of Financial Institutions at SG Hambros and held senior roles with Paribas Capital Markets and Morgan Grenfell.

MICHAEL LEWIS

Non-Executive Director

Michael Lewis has been involved in investment management since 1983, having worked at Ivory & Sime and Lombard Odier. He is Chair of Strandbags Holdings Pty Limited, the Foschini Group Limited and Oceana Investment Corporation Limited (UK). He is also a Director of ATR Brands Limited (UK), Lefic SARL and a number of charitable organisations.

ANDREW WOOSEY

Non-Executive Director

Andrew Woosey is an experienced Board Member and Trustee with significant experience in financial services. He is currently a Trustee and Committee Chair on the board of the Centre for Economic Policy Research and Chair on the board of Tom's Trust. Andrew is a Senior Advisor and Committee Chair for a number of Bain Capital LLP's portfolio companies. Andrew was previously a partner at Ernst and Young, is a qualified Chartered Accountant and graduated from Cambridge University.

GRAHAM DAVIN

Deputy Chair

Graham was CEO of United Trust Bank from 2004 to 2020. He began his career at Arthur Andersen and was previously Chief Financial Officer and Head of Corporate Finance of Investec Bank and a main board director of Investec for 16 years. He was a founding partner of the Insinger de Beaufort Group and a director of its listed parent and its Dutch bank. He is the Senior Independent NED of The Foschini Group, a listed multi-brand international retailing group.

MARK STOKES

Executive Director

Mark Stokes is the Chief Commercial Officer of United Trust Bank. He has over 20 years' experience at executive committee level and has a broad knowledge of commercial banking including property and asset finance lending into commercial, SME and consumer markets. Before joining UTB, Mark was Managing Director of Commercial Banking at Metro Bank and has held other senior roles at established and challenger banks including RBS, Lloyds Bank and Chartered Trust.

MARIA HARRIS

Non-Executive Director

Maria Harris is the former Director of Intermediary Lending at Atom Bank and is now a consultant specialising in fintech and digital transformation in the financial services sector. Maria is a well-known and highly respected figure in the mortgage industry and was responsible for creating and launching Atom Bank's disruptive and award-winning retail mortgages proposition. he is a participant in a number of government and industry working groups. She is a Chartered Fellow with the Chartered Management Institute and holds supporting roles with NHS South Tees and Coadjute.

SARAH LAESSIG

Non-Executive Director

Sarah Laessig is an experienced financial services senior executive and non-executive director. She had a 17 year executive career at Citigroup in corporate and transaction banking. Sarah is a NED on the boards of National Employment Savings Trust (NEST), and Local Pensions Partnership Investments (LPPI). She sits on the Board of Advisors of data.world, a US based technology company. Sarah was formerly a Commissioner on the Civil Service Commission, an independent regulator that oversees appointments to the Civil Service. Sarah holds an MBA from the Wharton School of the University of Pennsylvania and the Financial Times Non-Executive Director Diploma.

STEPHEN LOCKLEY

Non-Executive Director

Stephen Lockley is Chief Administrative & Finance Officer of the international development organisation World Vision International. He is a chartered accountant with many years of experience in financial services and investment banking. During his career, Stephen has been the Group Finance Director of Arbuthnot Banking Group PLC, CEO of Arbuthnot Latham Private Bankers, CFO of VisionFund International, a director at Charterhouse Bank and a Non-Executive Director of an investment fund and an insurance company.

ALICE ALTEMAIRE

Non-Executive Director

Alice Altemaire has been Chief Executive Officer for RCI Bank UK since 2019, banking arm of Groupe Renault providing savings and motor finance lending to UK customers. Previously, she held responsibilities at RCI Bank and Services group level, as Group Controller, Vice President ("VP") of Accounting and Performance Control, VP of Mobility Services and Innovation and, since 2016, she has been a member of the Executive Committee. Alice has an MBA from ESSEC Business School and a governance certificate from IFA Science Po education.

AUDIT COMMITTEE RISK COMMITTEE MANAGEMENT COMMITTEE REMUNERATION COMMITTEE C CHAIR (as at 31 December 2021)

Directors Report

United Trust Bank Limited is an unlisted company and therefore the UK Corporate Governance Code (2018) does not apply. The Board has sought to comply with a number of the provisions of the UK Corporate Governance Code in so far as it considers them to be appropriate to a company of the Bank's size and nature.

The directors present their annual report, together with the financial statements and auditor's report for the year ended 31 December 2021.

Principal activities

The Bank's primary activity 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 Bank's capital base and a range of fixed and notice period deposit products offered to individuals and SMEs.

Directors

Noel Meredith resigned as Executive Director on 31 March 2021. Mark Stokes was appointed to the Board as Executive Director on the 25 June 2021. Alice Altemaire, who was a Non-Executive Director from September 2017 to June 2019, was reappointed as Non-Executive Director on the 28 February 2022. A full list of the directors can be found on pages [x] to [x].

Dividend

In the year a dividend of £12 million was paid to the Bank's parent, UTB Partners Limited. No further dividend has been declared or paid since year end and up to the date of signing.

Auditor and Directors' confirmation

Each person who is a director at the date of the approval of this report confirms that:

- So far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is not aware; and

- The director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Pursuant to Section 386 of the Companies Act 1985, an elective resolution was passed on 25 March 2004 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Deloitte LLP will not continue as the Banks auditors and will be replaced by PricewaterhouseCoopers LLP who were appointed in February 2022.

Going concern

The directors have, as is appropriate, adopted the going concern basis in preparing the financial statements. Further details regarding the going concern basis can be found in the accounting policies in the notes to the financial statements.

Directors' indemnities

The Articles permit the Bank, subject to the provisions of UK legislation, to indemnify to any extent, any person who is or was a director, or a director of an associated company, against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust, in relation to the Bank or any associated company.

The Bank maintains Directors' and Officers' liability insurance which provides appropriate cover for legal actions brought against its directors.

Future developments

Likely future developments have been covered in the Strategic Report on page [x] to [x].

Financial risk management

The disclosures required to be included in the Directors' Report in respect of the Company's exposure to financial risk and its financial risk management policies are given in note 26 to the accounts.

The Group's Pillar 3 disclosures and Modern Slavery Act statement are available on the Bank's website at www.utbank.co.uk.

Events after the date of the Statement of Financial Position

There have been no significant events after the date of the Statement of Financial Position.

Approved by the Board and signed on its behalf by:

Harley Kagan
Chief Executive Officer
28 February 2022

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

New business volumes increased 14%, supporting growth in the loan book to £1.8bn, despite the impact of the pandemic.

The Board Report

Chair's Introduction

On behalf of the Board, I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2021. The following section details the Bank's corporate governance structure and the main activities that have been undertaken by the Board and its committees during the year.

The Board believes in the importance of high standards of corporate governance and effective board oversight in supporting the Bank's strong performance, growth, delivering its strategy and achieving success for all its stakeholders. The Board is committed to maintaining a robust and effective governance framework and I am pleased with the development of this framework in support of the Bank's ongoing growth.

2021 has been another year heavily impacted by Covid-19 and although remote working continued with fewer people working from the office, the Bank's focus on robust corporate governance has allowed the Board to continue to ensure effective oversight of the Bank together with challenge and support for senior management. Covid-19 and related considerations for all of our stakeholders has been key to the Board's agenda.

Board size and composition

The Board of Directors comprised of eight non-executive directors including the Chair and Deputy Chair, of which five are independent, and three executive directors, as listed on pages [x] to [x]. I chair the Board and am 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

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

Board Responsibilities

The Board is responsible for:

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

Board effectiveness

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

Board Key Activities in 2021

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

Richard Murley
Chair
28 February 2022

Risk Committee Report

Risk Committee Chair's Introduction

The Risk Committee's principal roles and responsibilities are to support the Board in its oversight of risk management across the Bank. Identifying, managing and mitigating risk is fundamental to the success of the Bank. 2021 has been another year of challenge in light of the pandemic and its impact on the global economy. The Bank has managed risk effectively through the year, and although we have faced challenges such as working from home and an increased regulatory focus on customer behaviour, we have continued to deliver against the Board's agenda, including managing the risks associated with the dynamic external environment, climate change, operational risks and cyber threats. The following section details the Risk Committee's size and composition, its role and responsibilities and its key activities during the year.

Committee size and composition

The Risk Committee comprises three independent non-executive directors, Maria Harris, Andrew Woosey and myself as chair, plus Andrew Herd, a non-executive director who has been on the board for over 17 years. 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 pages [X] and [X]."

Committee Roles and Responsibilities

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

- Responsibility for 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 CRO 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, 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.

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Risk Committee 2021 Key Activities

- Review of Risk Management Framework which has been enhanced during the year. This review covered enhancements and additions to the Bank's suite of risk policies. The management of risk within the context of the framework has been strengthened by the recruitment and development of additional skills within the risk department.
- Overseeing 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 Plane, ICAAP and ILAAP.
- Strong focus on the external environment, particularly credit risk and the quality of the loan portfolio. Credit policy and appetite has been subject to ongoing review and update in the context of rapidly evolving market conditions, including COVID19.
- Capital and liquidity management has remained a key focus to ensure the Bank remains appropriately funded, given the evolving external environment and the successful implementation of the Bank's growth strategy.
- Strengthening of the Bank's operational resilience, defences against cyber threats and financial crime, and governance of third party risk.
- Improvements to the assessment and ongoing monitoring of the Bank's conduct and culture frameworks and outcomes.
- Climate change risk has been reviewed by the Risk Committees and good progress has been made in understanding the physical and transitional risks the Bank faces.

S J Lockley

Stephen Lockley
Non-Executive Director
28 February 2022

Audit Committee Report

Chairman's Introduction

The Audit Committee has a key role in oversight of financial reporting and the control environment. The Audit Committee had another full agenda in 2021 and continued to focus on keys matters which are covered by its roles and responsibilities, including the ongoing impact of COVID-19. Challenging accounting judgements across the Bank is always a key focus and the Audit Committee has continued the essential oversight of this in order to assess the fair presentation and integrity of the Bank's Annual Report and effectiveness of the Bank's internal controls. The Committee has also monitored the activities and performance of Internal Audit, along with completing an external audit tender. The following section details the Audit Committees size and composition, its roles and responsibilities and key activities which have been focused on in the year.

Committee size and composition

The Audit Committee comprises of three independent non-executive directors: Sarah Laessig, Stephen Lockley and myself (Chair of the Committee). The qualifications of each of the members are outlined in the biographies on pages [X] and [X].

Committee Roles and Responsibilities

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

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

Audit Committee 2021 Key Activities

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

Andrew Woosey
Non-Executive Director
28 February 2022

Remuneration Committee Report

Chair's Introduction

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee Report for the 2021 financial year. The following section details the Remuneration Committee's size and composition, its role and responsibilities and key activities which have been focused on in the year.

Committee size and composition

The Remuneration Committee comprises of two independent non-executive directors, Sarah Laessig and myself as Chair, and the Board Deputy Chair Graham Davin. The qualifications of each of the members are outlined in the biographies on pages [X] and [X].

Committee Roles and Responsibilities

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

Remuneration Committee 2021 Key Activities

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

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

Additionally the Remuneration Committee has focused on:

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

Richard Murley
Chair
28 February 2022

Approach to Risk Management

UTB's risk appetite and approach to risk management

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

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

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

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 only risks they take on are within the risk appetite set by the Board.

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

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

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

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.

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.

Committee responsibilities

Details of the Bank's Board and main committees (Audit Committee, Risk Committee, and Remuneration Committee) are set out on pages 17 to 18.

Details of the Bank's other senior committees are listed below:

Credit Policy Review Committee	The Credit Policy Review Committee reviews management information, including that relating to UTB's credit strategy, credit risk appetite and credit policy. The committee makes recommendations to the Management Committee, Risk Committee and the Board to amend strategy, appetite or policy. The aim of the committee is to assist executive management in monitoring and managing the Bank's credit governance. The Credit Committee is a sub-committee of the Credit Policy Review Committee. It is responsible for overseeing all credit decisions, including those sanctioned under delegated authority. It ensures credit risk is mitigated to an acceptable level. It regularly reviews loan performance, large exposures and the adequacy of provisions. Its role includes ensuring that credit policy and appetite is prudent and appropriate, taking into account changing market trends. In respect of loans sanctioned by delegated authority, the Bank's credit department provides oversight to ensure such sanctioning complies with the Bank's credit policies and procedures. The Watchlist and Recoveries Committees are also a sub-committee of the Credit Policy Review Committee. The primary function of the Watchlist and Recoveries Committees is to monitor the Bank's higher risk exposures and portfolios, reviewing and agreeing case strategies, review limits and security provisions and to ensure credit loss provisions are appropriate.
Management Committee	The Management Committee is chaired by the Chief Executive Officer and includes the other executive directors of the Bank (the Chief Commercial Officer and the Chief Financial Officer), the Chief Risk Officer, the Chief Operating Officer, the Chief Technology Officer and the Head of Human Resources. The executive directors provide a direct link to the Board. The committee meets monthly to discuss and implement the strategy of the Bank, as approved by the Board, and to oversee the effective monitoring and control mechanisms within the Bank. The committee considers the performance of the Bank, its response to market conditions, major projects, key personnel and significant events. It does not focus on day-to-day operations which are delegated to other committees and are the responsibility of line managers. It considers all exceptional items and reviews the risk profile, capital, liquidity and performance of the business.
Asset and Liability Committee ("ALCO")	ALCO meets monthly and ensures that the Bank adheres to the capital, liquidity and interest rate risk appetites and policies, as approved by the Board. It is also responsible for ensuring that the policies that are implemented are in line with regulatory requirements. The committee is also responsible for the effective management of the Bank's assets and liabilities mix and profile, anticipating the impact of future business activity and management actions.
Change Management Committee	The Change Management Committee provides governance, prioritisation and approval of material business and technology changes. The committee acts as an escalation forum for all project steering committees and reviews status reports, key issues and project risks. The committee considers the risk to the overall change agenda, in conjunction with the Risk division, for material changes and advises on appropriate changes to schedule. The IT Strategy Committee is a sub-committee of the Change Management Committee and steers the development and implementation of the Bank's IT strategy.
Compliance & Conduct Management Committee	The Compliance & Conduct Management Committee is responsible for overseeing compliance with non-prudential regulatory requirements and conduct risk. The purpose of the committee is to assess and monitor the Bank's compliance with internal, legal and regulatory requirements in terms of Conduct, Financial Crime, Data Protection and Regulatory Compliance and to advise executive management and the Board on these matters.
Lending Business Review Committees	A Business Review Committee meets monthly for each of the Bank's lending businesses. The primary aim of the Business Review Committees is to assist executive management in monitoring and managing the lending divisions' credit and customer policies, procedures and subsequent portfolio performance. The committees provide a forum for considering the risk and return aspects of new products and business proposals and approving or recommending these prior to launch. The committees also review management information relating to business performance and ongoing compliance with operational controls.
Deposits Management Committee	The Deposits Management Committee meets monthly and is responsible for the strategic and operational leadership of the Deposits department. It is chaired by the Head of Deposits. Its responsibilities include monitoring customer service levels and conduct metrics; operational performance; progress on new and existing projects; product initiatives; customer policies and regulatory compliance; and overseeing the department's risk management framework.
Climate Change Committee	The Climate Change Committee seeks to ensure that the Bank has identified its risk exposure to climate change, embedded that risk into the risk management framework and processes and articulated the risk in terms of recognising the potential future impact of climate change.

Three lines of defence

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

First line of defence

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

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

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

Second line of defence

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

The second line of defence is responsible for communicating the risk strategy, risk framework and defined risk appetite to the business units. It independently monitors and conducts assurance programmes on the activities of the first line of defence and the effectiveness of controls. The second line of defence also performs stress testing to assess the Bank's risk exposures and their potential impact under a range of adverse scenarios. The main functions of the second line of defence are in relation to financial, capital, credit, liquidity, interest rate, operational, conduct and compliance risk. The Compliance Director, the Head of Credit and the Prudential Risk Manager report to the Chief Risk Officer who reports to the Chief Executive Officer and the Chair of the Risk Committee. UTB employs an experienced team of risk management specialists in each department within the risk management function.

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

Third line of defence

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

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

Scenario Analysis and Stress testing

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

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

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

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.

UTB has delivered a solid performance and strong results. Operating Profit before impairment charges was £50.9m, an increase of 15% on 2020.

Risks and Uncertainties

Key risks and uncertainties

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

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

Risk Category	Mitigation	Status Update
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.	• Well established planning, budgeting and scenario analysis processes • Regular reporting of performance against budget • Monitoring of economic metrics, developments, industries and economic outlook • Annual review and update of business plan • Regular assessment of risks inherent in strategic decisions	**Increased?** The Bank continued to achieve its strategic and business objectives but within an external environment of continuing heightened risk. 2021 began in an environment heavily influenced by two key developments in December 2020: 1. The UK Government re-introduced a number of restrictions on movement and activity in response to an increase in Covid-19 infections. This drove a reduction in UK economic activity in Q1, with the impact spread unevenly across different sectors of the economy. 2. The EU-UK Trade & Co-operation Agreement was signed at the end of the one-year transition period following the UK's departure from the EU. This removed the threat of a disruptive "no-deal" exit from the EU, although a number of key areas of the economy, such as services, are not covered by the agreement. A number of government support schemes were extended during 2021, including the Coronavirus Business Interruption Scheme ("CBILS"), the Coronavirus Job Retention Scheme and stamp duty concessions on residential purchases. Government support schemes, accommodative monetary policy and an imbalance between supply and demand in the housing market has led to strongly rising house prices since mid-2020. UTB's strategic plan was therefore implemented in an environment which supported strong loan originations. This was enhanced by the progressive removal of restrictive credit policy settings introduced at the start of the pandemic. However, the same external factors also contributed to higher than forecast loan repayment levels in the Bank's property portfolios during the first half of the year. Net loan book growth during 2021 has consequently been skewed away from the Bank's property lending units (Bridging, Structured and Development Finance) and towards the asset finance and consumer lending divisions (Mortgages and Asset Finance). This is the opposite of the pattern seen during much of 2020, although in alignment with the Bank's overall strategic plans. During the latter half of 2021, supply chain issues have become more evident, reflecting global trends as economic activity recovers and contributing to increased inflationary pressures. The growth in the lending portfolio has been funded within strategy by a corresponding growth in deposit balances and drawings from the TFSME scheme. The Deposits business unit continues to benefit from more efficient processes and closely co-ordinates deposit-raising activities with lending unit cashflow projections. In early 2021, UTB took a strategic decision to discontinue originations in Motor Finance. The small remaining Motor Finance portfolio, which stands at £4.1m, is now in run-off. The risk of cyber-attacks on businesses has increased during the pandemic, partly because of the increase in remote working, and UTB has continued to enhance its cyber defences. As the economy recovers from the initial impact of the pandemic, skilled labour shortages have become apparent, including in financial services. Staff retention and recruitment is therefore considered an increasing risk for the Bank.

Risk Category	Mitigation	Status Update
Capital risk The risk of having insufficient capital to meet regulatory requirements and to support the Bank's business plan	• The Bank maintains a prudent capital base and has a consistent record of profitability • Regular stress testing and forward looking management of capital requirements • Annual assessment of capital adequacy through the ICAAP process • Maintenance of prudent levels of capital buffers • Active monitoring of changing regulatory requirements	**Increased?** The Bank continued to maintain a prudent level and mix of capital resources UTB maintained its capital ratios in excess of regulatory requirements throughout 2021. At 31 December 2021, the CET1 ratio was 12.7% (2020: 11.4%) and the total capital ratio was 16.2% (2020: 15.4%). The Bank paid a total of £12m of dividends during 2021. £4m of Tier 2 capital was redeemed, as planned, at the end of October 2021. UTB used a number of government-backed lending schemes during 2021, including the Coronavirus Business Interruption Scheme (CBILS), the Recovery Loan Scheme (RLS) and the Enable Guarantee scheme. These schemes all provide the Bank with a capital benefit. The Bank of England has announced that the counter-cyclical buffer will return to 1% in December 2022, having been reduced to 0% in March 2020. This will increase to 2% in the next 12 months.
Liquidity and funding risk The risk of the Bank being unable to meet its obligations as they fall due or do so only at excessive cost.	• Mitigation • The Bank is funded through the stable retail deposit market, with most deposits covered by the Financial Services Compensation Scheme, and the TFSME scheme. • Regular liquidity scenario analysis and stress testing performed and forward looking management of liquidity requirements • Annual assessment of liquidity adequacy through the ILAAP process. The Bank manages its liquidity in alignment with internal and regulatory requirements • Maintenance of prudent levels of liquidity • Established policies and detailed limits to manage liquidity risks • Diverse funding profile • Limited wholesale funding (TFSME and capital instruments) • Access to the Discount Window Facility • The Board approves UTB's liquidity risk management strategy and ALCO meets at least monthly to review liquidity risk in comparison with appetite and early warning indicators • Liquidity metrics are monitored daily by Treasury and the Bank's senior management	**Increased?** The Bank maintained a stable funding base and prudent levels of liquidity. UTB's liquidity position continued to be well managed during 2021 and the liquidity cover ratio remained within normal levels. We experienced strong repayments during the first half of 2021, mainly driven by the buoyant housing market, and although there was strong growth in the level of committed loans, a slowdown in the drawdown of these loans combined with the high repayment levels resulted in higher than expected liquidity at times. In March 2020, in response to the Covid-19 pandemic, the Bank of England ("BoE") launched the Term Funding Scheme with additional incentives for SMEs ("TFSME"). Participation in the TFSME requires UTB to preposition collateral with the BoE in order to draw funds from the scheme. The end date for drawing from the scheme was extended during 2021 to 31 October 2021. Drawings are for 4 years. During 2021, the Bank made plans to increase the funding available from the TFSME by utilising the current Asset Finance collateral and adding the growing portfolio of first charge mortgages as collateral. The process of placing the Mortgage collateral is ongoing. In the interim, UTB drew additional TFSME funding by using UK Government debt as collateral. In order to accomplish this, UTB purchased £221m of Gilts and Bills. In time, it is planned that the Bank's full drawing under the TFSME is expected to be fully collateralised by the Asset Finance and First Charge Mortgage Books.

Risk Category	Mitigation	Status Update
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)	• 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	**Increased?** The disruption caused by the Covid-19 pandemic on the external market continued during 2021, although the nature of the disruption and risks evolved during the course of the year. Government support schemes and a strong housing market supported growth and credit quality in much of the Bank's portfolio. Supply chain challenges and rising inflation have emerged as increasing risks during the second half of the year. Tail risk for the whole portfolio (i.e. higher risk credit exposures) is one of UTB's key credit risk metrics. It has remained well within the Board's appetite throughout the year. Loan loss provision charges decreased during 2021, with a total provisions charge of £6.5m for the year ended 31 December 2021, compared with £13.5m in 2020. The charge was mainly the result of a small number of specific provisions on historic exposures in Development Finance, and one larger exposure in the Asset Finance portfolio. Credit Policy parameters were tightened across all lending types at the end of March 2020 in response to the Covid-19 pandemic, with further restrictions were placed on lending appetite in May 2020. During 2021, these more restrictive policy and appetite parameters have been progressively removed, with credit policy settings largely returned to pre-Covid-19 levels. High levels of loan repayments during the first half of 2021 constrained loan book growth, notwithstanding strong originations. Growth resumed in the second half of the year and UTB's loan balances increased by £162m in the year to £1.8bn.
Market risk For UTB Market Risk is primarily limited to interest rate risk, namely the potential adverse impact arising from interest rate changes and the use of different reference rates for pricing assets and liabilities.	• Regular ALCO meetings to review the structure of the balance sheet and the results of interest rate stress testing • Management of interest rate risk through careful management of the repricing profile of assets and liabilities • Management of basis risk through the management of the structure of the balance sheet	**Increased?** UTB has no material exposure to foreign currencies or to foreign exchange risk. The Board approved an increased risk appetite for interest rate risk during 2021, primarily to accommodate the effect of the increased use of the TFSME scheme, discussed in the Liquidity and Funding risk section above, which is floating rate funding. The Bank is reviewing the feasibility of using swaps as an additional tool to manage interest rate risk, particularly given the increasing size of the Bank's balance sheet. However, swaps have not been used to date.

Risk Category	Mitigation	Status Update
Operational risk The risk of loss arising from inadequate or failed processes, people and systems or from external events.	• Established policies and procedures that are regularly reviewed and updated • Experienced staff employed • Formal and on the job training provided • Ongoing Risk Control Self-Assessment process to ensure that risks are identified and managed effectively • Independent assurance testing • Regular risk incident reporting • Specialist cyber risk tools deployed across the Bank • Phishing and cyber training provided to all staff • Established and tested Disaster Recovery and Business Continuity Plan arrangements	**Increased?** Inherent operational risk is considered to have remained heightened during 2021 given the ongoing impact of the Covid-19 pandemic on operational processes and an external environment in which cyber-risk is elevated. UTB's residual operational risk has remained well-controlled and within risk appetite. The Bank continues to be vigilant and closely monitors threats of cybercrime, using a suite of both preventative and detective measures. In March 2021 the PRA published SS1/21 ("Operational resilience: Impact tolerances for important business services") and SS2/21 ("Outsourcing and third party risk management"). UTB has identified its important business services, mapped processes, systems, people and outsourcing vulnerabilities and provisionally set impact tolerances in accordance with SS1/21. In addition, a comprehensive review of third party suppliers was carried out and an outsourcing register created during 2021, in accordance with SS2/21. During 2021, work has been ongoing to embed operational resilience into first line business units. Governance of operational management has been consolidated during 2021, with the appointment of a Chief Technology Officer to whom the heads of IT, Business Transformation and Change all report. The Risk division provides second line oversight of operations and key change projects. Testing of operational controls continued throughout 2021 and all Compliance Monitoring Reviews incorporate an element of operational control testing. The Change Management Committee, chaired by the Chief Technology Officer, was created in 2021 to ensure consistent governance and prioritisation of key change projects.
Conduct 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.	• Regular monitoring of risks by the Compliance and Conduct Management Committee • Effective horizon scanning process to identify regulatory change • Straight forward and uncomplicated products • Regular monitoring of customer outcomes through assurance testing and compliance reviews • Regular culture and conduct risk reporting • Regular staff training provided • Established processes for anti-money laundering, sanctions and fraud checking at relationship inception and in-life • Established Data Protection Framework	**Increased?** The Bank continues to offer straightforward and uncomplicated products and to conduct regular monitoring of customer outcomes. Staff awareness training is regularly updated in key areas of conduct and compliance, including anti-money laundering, data protection and conduct. As such, conduct and compliance risk is assessed as stable. The Bank has implemented change in the following areas during 2021 in response to regulatory consultation, guidance and policy statements: • Payment Deferral Guidance • Vulnerability Guidance • CRD V Remuneration (Material Risk Takers) • Breathing Space Legislation • CCA Default Amendments In addition, during 2021, the Risk division reviewed a number of regulatory consultation and discussion papers, in anticipation that these could be followed by regulatory change during 2022, and co-ordinated the Bank's response to a number of routine Information Requests from the FCA which were not specific to UTB


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Emerging Risks

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

Covid-19

The Covid-19 pandemic continued to evolve during 2021. Notwithstanding the success of vaccination programmes and other public health measures, the uncertain future evolution of the pandemic, including the emergence of new, vaccine-resistant strains of the virus, means that this will remain a source of risk and uncertainty in 2022.

The domestic and global economies have been supported by significant government intervention during 2020 and 2021. The risk to economic growth as support is unwound, together with the more limited financial capacity of governments to repeat intervention on this scale, brings an additional level of uncertainty to growth prospects in 2022. This is particularly the case should a further wave of infections drive further social and economic restrictions or generate greater caution on the part of businesses and consumers.

Supply chains: materials and labour

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

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

Inflation and interest rates

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

International trade and geo-political tensions

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

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

Cyber crime

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

Climate change

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

Independent Auditor's Report to the Members of United Trust Bank Limited

Opinion

In our opinion the financial statements of United Trust Bank Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

Key audit matters	The key audit matter that we identified in the current year was: • Individual loan impairment and provisioning.
Materiality	The materiality that we used in the current year was £2.02m, which was determined on the basis of profit before tax.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach compared to the prior year.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained and read management's going concern assessment in order to understand the basis for key assumptions and judgements made by management;
- We considered management's income statement, balance sheet and cash flow projections and evaluated key assumptions and their projected impact on capital and liquidity ratios, particularly with respect to forecast loan book growth and forecast credit losses;
- Supported by Deloitte's regulatory specialists, we read the most recent ICAAP and ILAA submissions, considered management's capital and liquidity projections, reviewed the results of management's severe but plausible stress scenarios, evaluated key assumptions and considered whether the mitigating actions that could be taken by the Directors in a severe but plausible stress scenario were reasonable;
- We read correspondence with regulators to understand the Bank's regulatory capital and liquidity requirements, and evidence any changes to those requirements;
- We assessed the historical accuracy of forecasts prepared by management; and
- We considered the adequacy of the disclosures made in the financial statements in view of the requirements of FRS 102.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

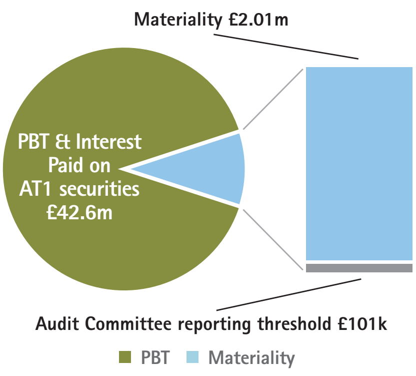
Individual loan impairment and provisioning

Key audit matter description	The Company has a significant loan portfolio to customers of £1,809m (2020: £1,646m). There is a risk arising from the possibility that the company will incur losses from the failure of customers to meet their obligations. Individual loan impairment and provisioning is one of the most significant estimates made by the company's directors and management in preparing financial statements. Refer to the summary of significant accounting policies in relation to the impairment of assets on page 70, judgements in applying accounting policies and critical accounting estimates on page 71 and provision for impairment losses on loans and advances note 10 on page 80. The significant judgements include whether an impairment is required or not, and the level of provision required for loans that are considered to be impaired. These are considered on a case-by-case basis and, therefore, there is an inherent degree of subjectivity and a corresponding increased risk of material misstatement. The Audit Committee reviews significant judgements in relation to financial reporting. We focus our key audit matter on the valuation of individual provisions in relation to certain Property Development and Structured Finance loans, specifically: loans that are impaired; loans for which management have identified an impairment trigger; or loans that are on management's "watch list". The valuation of impairment in these loan categories is more susceptible to misstatement, whether due to fraud or error. The increased risk arises from complexities in the nature of the loan facilities and reliance on valuation of collateral, and the fact that these loans tend to be individually larger in value than those in other categories. In addition, the coronavirus pandemic has increased the complexity of determining impairment due to an increased uncertainty of outcomes, including the valuation of collateral property and uncertainty in relation to costs to complete certain developments. The total provision balance as at 31 December 2021 was £9.2m (2020: £8.9m), of which £7.5m (2020: £7.1m) related to individual impairments. These are disclosed in note 10 of the accompanying financial statements.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the relevant controls over the individual loan impairment process. • We reviewed the Company's loan impairment and provisioning policy to assess whether it was in compliance with the requirements of Financial Reporting Standard 102. • For Property Development and Structured Finance, we tested all loans that were impaired, all loans for which management have identified an impairment trigger and all loans that were on management's "watch list". These were reviewed on a case by case basis to assess the reasonableness of management's assumptions, including an assessment of underlying security valuations where relevant and challenging other evidence supporting the forecast recoverability. • We selected a sample of loans and we worked with our Deloitte Real Estate specialists to examine the Director's valuations of specific properties, which were secured as collateral, to determine whether the valuation was within a reasonable range based on relevant market information. We selected a sample of loans across the loan portfolio where no impairment indicators had been identified by management to assess whether they were appropriately accounted for.
Key observations	We consider management's judgements in relation to the individual impairment provision of £7.5m as at 31 December 2021 to be within a reasonable range.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.1m (2019: £2.0m)
Basis for determining materiality	Materiality has been determined on the basis of 7% of profit before tax (2019: 7% of profit before tax).
Rationale for the benchmark applied	The Company is wholly owned by UTB Partners Limited, which holds its shares in United Trust Bank Limited with a view to realising returns on its investment.



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 65%).

In determining performance materiality we considered factors including our assessment of the company's overall control environment and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £101k (2020: £103k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Our risk assessment included considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This includes risks identified by us, by management and by internal audit, and those driven by changes in the business environment and new or complex accounting requirements.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of this regard.

Responsibilities of directors

As explained more fully in the directors' statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on [28 February 2022];
- results of our enquiries of management, internal audit, compliance department, risk committee and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, IT, Deloitte Real Estate and Regulatory specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the individual loan and impairment provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the relevant provisions of the UK Companies Act 2006, the Prudential Regulation Authority Rulebook, FCA standards and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's capital, liquidity and conduct requirements.

Audit response to risks identified

As a result of performing the above, we identified individual loan impairment and provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- enquiring of management and the audit committee concerning actual and potential litigation and claims;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and HMRC; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.
We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors in 2001 to audit the financial statements for the year ended 31 December 2001 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 21 years, covering the years ended 31 December 2001 to 31 December 2021.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Jackson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 February 2022

Income Statement For The Year Ended 31 December 2021

	Note	2021 £'000	2020 £'000
Interest receivable and similar income	2	119,015	105,322
Interest payable and similar charges		(23,857)	(26,271)
Net interest income		95,158	79,051
Other income/(charges)		(18)	3
Operating income		95,140	79,054
Administrative expenses	3	(43,483)	(34,252)
Depreciation and amortisation	10	(765)	(678)
Provision for impairment losses	5	(6,455)	(13,465)
Operating profit on ordinary activities before tax		44,437	30,659
Tax charge for the year	6	(9,015)	(5,749)
Profit after tax retained for the financial year		35,422	24,910

The above results are derived wholly from continuing operations. The notes on pages 36 to 50 form an integral part of these financial statements.

Statement Of Comprehensive Income For The Year Ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the financial year	35,422	24,910
Other comprehensive income	-	-
Total comprehensive income	35,422	24,910

Statement Of Financial Position At 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Loans and advances to central banks	8	**181,074**	151,160
Loans and advances to other banks	8	**23,577**	54,174
Loans and advances to customers	9	**1,808,607**	1,646,322
Loans to group companies		**120**	-
Debt Securities	11	**221,816**	-
Tangible fixed assets	12	**552**	667
Intangible assets	13	**3,280**	3,071
Other assets	14	**15,152**	12,538
Total assets		**2,254,178**	1,867,932
Liabilities			
Deposits from customers	15	**1,715,596**	1,601,361
Loans from banks	15	**300,079**	50,013
Loans from group companies	16	**1,259**	518
Other liabilities	17	**12,356**	8,763
Long-term subordinated debt	19	**29,256**	33,241
Total liabilities		**2,058,546**	1,693,896
Capital and reserves			
Share capital	20	**10,350**	10,350
Share premium		**25,680**	25,680
Contingent convertible securities	21	**16,851**	16,851
Retained earnings		**142,751**	121,155
Total capital and reserves		**195,632**	174,036
Total equity and liabilities		**2,254,178**	1,867,932
Memorandum items			
Guarantees and assets pledged as security		**77**	77
Commitments	22	**627,103**	488,683

The notes on pages 36 to 50 form an integral part of these financial statements.

The financial statements of United Trust Bank Limited were approved by the Board of Directors and authorised for issue on 28 February 2022. They were signed on its behalf by:

Harley Kagan
Group Executive Officer
28 February 2022

Jonathan Ayres
Chief Financial Officer
28 February 2022

Statement Of Changes In Equity For The Year Ended 31 December 2021

	Share capital £'000	Share premium £'000	Contingent convertible securities £'000	Retained earnings £'000	Total £'000
At 31 December 2019	**10,350**	**25,680**	**16,851**	**98,093**	**150,974**
Profit for the financial year	–	–	–	24,910	24,910
Coupon paid on contingent convertible securities	–	–	–	(1,848)	(1,848)
At 31 December 2020	**10,350**	**25,680**	**16,851**	**121,155**	**174,036**
Profit for the financial year	–	–	–	35,422	35,422
Coupon paid on contingent convertible securities	–	–	–	(1,826)	(1,826)
Dividend Paid	–	–	–	(12,000)	(12,000)
At 31 December 2021	**10,350**	**25,680**	**16,851**	**142,751**	**195,632**

Notes To The Financial Statements For The Year Ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding years.

a. General information and basis of accounting
United Trust Bank Limited ("the Bank" or "the Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 51. The nature of the Bank's operations and principal activities are set out in the Strategic Report on pages 7 to 13 and Directors Report on page 25.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with:

- Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council; and
- the provisions of Statutory Instrument No 410 "Large and Medium sized companies and groups" – schedule 2 part 1, relating to banking groups.

The functional currency of the Bank is Pounds Sterling, as that is the currency of the primary economic environment in which the Bank operates and the currency of the transactions the Bank undertakes.

The Bank meets the definition of a Qualifying Entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to the presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern
The Bank's business activities, together with the factors likely to affect its future development and performance are set out in the Principal Risks and Uncertainties section of the Strategic Report. In determining the going concern status the directors have considered:

- Business Performance & Strategic Risk and Operational Resilience: through the Covid-19 pandemic
- Capital Risk:
    - The ability of the Bank to conduct its business profitably and generate sufficient revenues to cover costs
    - Sufficiency of capital resources to sustain the Bank's existing and planned business activities and maintain compliance with regulatory requirement
- Liquidity Risk: Adequacy of liquidity to fund the Bank's activities and satisfy regulatory requirements
- Credit Risk: The credit quality of the Bank's loan book, based on recent experience and the Bank's credit policies.

After considering the review of the Bank's operations included in the Strategic Report and having made suitable enquiries, the directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus the Bank continues to adopt the going concern basis of accounting in preparing the annual financial statements

c. Income recognition
Interest income and interest expense for all interest bearing financial instruments are recognised in the income statement using the Effective Interest Rate ("EIR") method. The EIR is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying value of the financial asset or liability.

The EIR calculation includes all fees paid or received between parties to a contract that are an integral part of the interest rate, and are shown as interest income.

d. Taxation
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

e. Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Computer and office equipment
- between 10% and 33% per annum

Leasehold improvements
- over the remaining life of the lease

Motor vehicles
- 20% per annum

Residual value represents the estimated amount which would be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

f. Intangible assets
Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is a unique and identifiable asset controlled by the Company and will generate future economic benefits.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, which is generally 7 years. Intangible assets are reviewed for impairment on an annual basis.

g. Leases: the Bank as lessee
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

h. Financial instruments
Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities.

(i) Financial assets and liabilities
All of the Bank's financial assets and liabilities are initially measured at transaction value (including transaction costs).

Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when: a) the contractual rights to the cash flows from the financial asset expire or are settled; b) the Bank transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or c) the Bank, despite having retained some, but not all, of the significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the contractual obligations are discharged, cancelled or expire.

(ii) Equity instruments
Equity instruments issued by the Bank are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Financial instruments that include no contractual obligation to deliver cash or another financial asset are classified as equity. The Bank's contingent convertible securities are perpetual and were issued with terms that include discretion over the payment of interest, and have therefore been included as equity.

(iii) Participation in the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME)

The Bank is a participant in the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). This scheme allows participants to borrow cash from the Bank of England against collateral, in the form of certain eligible loans, which is placed with the Bank of England.

Loans and UK Government debt over which the Bank transfers its rights to the collateral thereon to the Bank of England are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership including all cash flows arising from the loans and UK Government debt and exposure to credit risk. The cash received against the transferred assets is recognised as an asset within the statement of financial position, with the corresponding obligation to return it recognised as a liability at amortised cost within 'Loans from banks'. Interest is accrued over the life of the agreement on an EIR basis.

i. Impairment of assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash receipts, discounted at the asset's original effective interest rate.

Specific provision assessments for individually significant loans involves two different methods for calculation. The first is an estimation in relation to the future cash flow timings, future sale proceeds, expected costs associated with sales and any rental income to be received. The second method for calculating specific provisions is a model based approach in which each loan within the Mortgages book is individually modelled to assess impairment.

All assets that are not considered for a specific provision are assessed collectively. Collective provisions are calculated using agreed rates based on historic experience.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal.

An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

j. Pension costs and other post-retirement benefits

The Bank operates defined contribution retirement benefit schemes for all qualifying employees. The amount charged to the profit and loss account in respect of pension costs is the value of contributions payable during the year. Differences between contributions payable during the year and contributions actually paid are included within accruals or prepayments in the balance sheet.

k. Share-based payments

The Bank's parent company, UTB Partners Limited, issues equity-settled share options to certain directors and employees of the Bank. Equity-settled share option payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Bank's estimate of options that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The fair value of any options granted is assessed using the Black Scholes pricing model based on an estimate of the share price of the Bank's parent company and the option strike price. The expected life used in the model is based on management's best estimate, which considers non-transferability, exercise restrictions and behavioural factors. The volatility measure is also based on management's best estimate, as the shares are unlisted and there is no trading.

l. Capital and subordinated debt raising expenses

Qualifying costs attributable to the issuance of capital, contingent convertible securities and subordinated debt are netted against issue proceeds. They include any incremental costs that are directly attributable to issuing the instruments, such as advisory and underwriting fees.

m. Judgements in applying accounting policies and critical accounting estimates

In the application of the Bank's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

Estimates

(i) Loan book impairments:

Specific provision assessments for individually significant loans may require estimation in relation to the future cash flow timings, future sale proceeds, expected costs associated with sales and any rental income to be received. Should actual cash flows differ from those that have been estimated, the carrying value of individually significant loans could be materially different.

Judgements

(ii) Classification of contingent convertible securities:

The classification of the contingent convertible securities is a judgement made by management. The Bank had £16.9 million of Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities in issue at 31 December 2021 (the "AT1 Securities", see note 21 for further details).

The AT1 Securities are perpetual and have no fixed redemption date. Interest is payable on the AT1 Securities annually in arrears and is non-cumulative. The Company has the full discretion to cancel any interest scheduled to be paid on the AT1 Securities. The AT1 Securities are convertible into Ordinary shares of the Company in the event of the Company's regulatory CET1 ratio falling below 7 per cent.

The AT1 Securities (net of the associated issuance costs) have been classified as equity within the statement of financial position. The decision to classify the AT1 Securities as equity required management to consider the individual terms attached to the AT1 Securities, including the conversion clauses. This decision is supported by external legal and professional advice.

2. Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest income	**105,121**	92,183
Fees and commissions received subject to EIR	**20,741**	17,430
Fees and commissions paid subject to EIR	**(6,847)**	(4,291)
	119,015	105,322

"EIR" represents the Effective Interest Rate described in note 1c.

3. Administrative expenses

	2021	2020
	£'000	£'000
Staff costs:		
- wages and salaries	**25,609**	19,851
- social security costs	**3,336**	2,575
- pension costs	**1,906**	1,459
- other staff costs	**1,513**	1,021
Fees payable to the Company's auditor:		
- audit of Company's annual accounts	**351**	284
- audit of parent company's annual accounts	**18**	17
Total audit fee	**369**	301
- audit related assurance services	**35**	86
- other assurance services no value this year	**67**	-
Total non-audit fee	**102**	86
Total fees payable to company's auditor	**471**	387
Premises and Facilities	**2,056**	2,183
Other administrative expenses	**8,592**	6,776
	43,483	34,252

The average number of people employed by the Bank (including executive directors) during the year was 286 (2020: 237). At the end of the year, the Bank employed 308 people (2020: 263). Staff costs include directors' remuneration set out in note 4.

The average number of people employed by the Bank is analysed below:

	2021	2020
	Average No.	Average No.
Lending	**193**	162
Treasury and central services	**93**	75
	286	237

4. Directors' remuneration

	2021	2020
	£'000	£'000
The remuneration of the directors was as follows:		
- Emoluments	**2,476**	2,540
- Company contribution to money purchase pension schemes	**8**	13

	2021	2020
	No.	No.
The number of directors who:		
Are members of money purchase pension schemes	**2**	2

	2021	2020
	£'000	£'000
The above amounts for remuneration include the following in respect of the highest paid director:		
- Emoluments and incentive schemes	**842**	792
- Other pension costs	**4**	6

5. Operating profit on ordinary activities

Operating profit on ordinary activities is stated after charging:

	2021 £'000	2020 £'000
Auditor's remuneration (note 3)	**404**	387
Other assurance services (note 3)	**67**	-
Depreciation and amortisation	**765**	678
Loss on disposal of Property, Plant and Equipment and intangibles	**139**	-
Operating leases: property	**1,062**	1,170

6. Tax on profit on ordinary activities

Analysis of tax charge on ordinary activities

	2021 £'000	2020 £'000
Current tax on profit on ordinary activities	**10,080**	5,884
Adjustments in respect of prior year:		
UK corporation tax	**(603)**	68
Total current tax	**9,477**	5,952
Deferred tax:		
Origination and reversal of timing differences	**(206)**	41
Effect of (increase)/decrease in tax rate on opening asset	**(103)**	(244)
Prior year adjustment	**(153)**	-
Total deferred tax for the year (note 14)	**(462)**	(203)
Total tax on profit on ordinary activities	**9,015**	5,749

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

At Budget 2020, the UK government announced that the Corporation Tax main rate for the tax year starting 2021 would remain at 19%.

The UK's Bank Surcharge Levy of 8 per cent applies to taxable profits above £25m, leading to an additional £1,583k of tax payable in 2021 (2020: £336k). Changes to UK surcharge levy were substantively enacted by the Finance Bill 2021,decreasing the levy from 8 to 3 percent with effect from 1 April 2023. There will also be an increase in the surcharge allowance available to banking groups from £25m to £100m of taxable profits.

The standard rate of tax applied to reported profit on ordinary activities for the year is 19.00 per cent (2020: 19.00 per cent). Deferred taxes at the balance sheet date have been measured using enacted tax rates, including the UK's Bank Surcharge Levy, to the extent it is expected to apply.

During the year beginning 1 January 2021, the net increase in deferred tax assets and liabilities decreased the corporation tax charge for the year by £462k (2020: £203k).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	**44,368**	30,659
Subsidary Group Relief	**(70)**	-
Tax charge at 19.00% (2020: 19:00%) thereon:	**8,417**	5,825
Effects of:		
Expenses and provisions not deductible for tax purposes	**30**	18
Tax rate changes on deferred tax balances	**88**	(147)
Prior year adjustment on deferred tax	**(153)**	-
Bank Surcharge Levy	**1,583**	336
Prior year adjustment	**(603)**	68
Tax on items recognised in equity	**(347)**	(351)
Total tax charge for the period	**9,015**	5,749

7. Share-based payments

Equity-settled share option schemes

The Bank's parent company has two share option schemes for a number of the Bank's directors and employees. The vesting period is four years. The options expire if they remain unexercised after a period of ten years from the date of grant. Unexercised options are forfeit if the employee leaves the Bank before the options vest. One scheme contains a performance condition linked to ROE over the vesting period.

Details of the share options outstanding during the year are as follows:

	2021		2020	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**551,013**	**17.09**	384,013	11.47
Granted during the period	**25,000**	**34.00**	167,000	30.00
Options not taken up	**-**	**-**	-	-
Exercised during the period	**(118,996)**	**3.07**	-	-
Lapsed during the period	**(21,392)**	**8.09**	-	-
Outstanding at the end of the period	**435,625**	**20.28**	551,013	17.09
Exercisable at the end of the period	**291,906**		375,013	

The options outstanding at 31 December 2021 had a weighted average exercise price of £20.28 and a weighted average remaining contractual life of six years.

There were 25,000 options granted in 2021. The inputs into the Black Scholes model for options granted in 2021 were as follows:

	2021	2020
Weighted average share price	**£34.00**	£30.00
Weighted average exercise price	**£34.00**	£30.00
Expected volatility	**25%**	25%
Expected life	**6 Years**	6 Years
Risk-free rate at date of grant	**0.0%**	0.0%

Expected volatility for 2021 options granted was determined at a nominal 25%, based on management's best estimate, as the shares are unlisted and there is no trading. The expected life used in the model has been assessed, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural factors.

8. Loans and advances to banks

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
- Loans and advances to central banks	**181,074**	151,160
- Loans and advances to other banks	**23,577**	54,174
	204,651	205,334

9. Loans and advances to customers

	2021	2020
	£'000	£'000
Loan receivables	**1,601,767**	1,518,932
Finance lease and hire purchase receivables	**206,840**	127,390
	1,808,607	1,646,322

£141m of finance lease receivables were pledged as collateral to the Bank of England in relation to drawings against the Bank of England's Term Funding Scheme with additional incentives for SMEs – see Note 15.

Loan receivables	2021	2020
	£'000	£'000
Amounts falling due:		
- within one year	**758,320**	806,279
- over one year but less than five years	**438,072**	414,353
- more than five years	**412,041**	306,426
	1,608,433	1,527,058
Less: provision for impairment losses (see note 10)	**(6,666)**	(8,126)
	1,601,767	1,518,932
Of which repayable on demand or short notice	**17,224**	45,566

The above analysis may not reflect actual experience of repayments, as loans can be repaid early.

Finance leases and hire purchase receivables	2021	2020
	£'000	£'000
Gross investment in receivables falling due:		
- within one year	**79,374**	56,100
- over one year but less than five years	**158,604**	88,057
- more than five years	**235**	217
	238,213	144,374
Less: unearned future finance income	**(28,756)**	(16,208)
Net investment in finance leases and hire purchase receivables	**209,457**	128,166

Net investment in finance leases and hire purchase receivables:		
- within one year	**66,297**	47,978
- over one year but less than five years	**142,956**	79,986
- more than five years	**204**	202
Net investment in finance leases and hire purchase receivables	**209,457**	128,166
Less: provision for impairment losses on loans and advances (see note 10)	**(2,617)**	(776)
	206,840	127,390

Net receivable under finance leases and hire purchase contracts comprises:		
- Finance leases	**12,730**	11,213
- Hire purchase	**196,727**	116,953
	209,457	128,166

10. Provision for impairment losses on loans and advances

The charge for impairment losses is made up as follows:

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

Any recoveries of loans written-off in previous years are taken to the income statement. The movement in the provision for impairment losses on loans and advances to customers was as follows:

Individual impairments provision	**2021**	2020
	£'000	£'000
Balance at 1 January	**7,130**	5,378
Charged	**7,415**	13,245
Released	**(746)**	-
Increase recognised in income statement	**6,669**	13,245
Utilised during the year	**(6,328)**	(11,493)
At 31 December	**7,471**	7,130

Collective impairment provision	**2021**	2020
	£'000	£'000
Balance at 1 January	**1,772**	1,081
Increase / (reduction) recognised in income statement	**40**	691
At 31 December	**1,812**	1,772

Balance at 31 December	**2021**	2020
	£'000	£'000
Individual impairment provision of which:		
- detailed individual assessment	**6,203**	6,053
- individually modelled	**1,268**	1,077
Collective impairment provision	**1,812**	1,772
At 31 December	**9,283**	8,902

11. Debt securities

	2021	2020
	£'000	£'000
Issued by public bodies:		
Government securities	**221,816**	–
	221,816	–

	2021	2020
	£'000	£'000
Maturity of debt securities:		
Due within one year	**221,816**	–
	221,816	–

12. Tangible fixed assets

Tangible fixed assets comprise:	**Leasehold improvements**	**Computer and office equipment**	**Motor vehicle**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost:				
At 1 January 2021	678	1,416	31	2,125
Additions	1	128	–	129
Disposals	–	(301)	–	(301)
At 31 December 2021	679	1,243	31	1,953
Depreciation:				
At 1 January 2021	279	1,170	9	1,458
Charge	85	152	7	244
Disposals	–	(301)	–	(301)
At 31 December 2021	364	1,021	16	1,401
Net book value:				
At 31 December 2020	399	246	22	667
At 31 December 2021	**315**	**222**	**15**	**552**

13. Intangible assets

	2021	2020
	£'000	£'000
Cost:		
At 1 January	**4,814**	3,984
Additions	**869**	830
Disposals	**(168)**	–
At 31 December	**5,515**	4,814
Amortisation:		
At 1 January	**1,743**	1,303
Charge	**521**	440
Disposals	**(29)**	–
At 31 December	**2,235**	1,743
Net book value:		
At 31 December	**3,280**	3,071

Intangible assets consist of purchased computer software and own developed software.

14. Other assets

	2021 £'000	2020 £'000
Deferred tax asset	**2,734**	2,272
Prepayments, deferred expenses and other debtors	**12,418**	10,266
	15,152	12,538
Deferred tax asset:		
As at 1 January	**2,272**	2,069
Origination and reversal of timing differences	**206**	(41)
Effect of increase in tax rate on opening asset	**103**	244
Origination and reversal of timing differences	**153**	-
As at 31 December	**2,734**	2,272

A deferred tax asset of £2,734k has been recognised at 31 December 2021 (2020: £2,272k) mainly representing timing differences on finance lease receivables, share based payments and collective provisions. The directors are of the opinion, based on recent and forecast performance of the Bank, that when these timing differences reverse, the expected level of future profits will be sufficient to recover the tax benefit deferred.

15. Financial liabilities

	2021 £'000	2020 £'000
Deposits from customers falling due:		
- within one year	**1,147,540**	1,059,414
- over one year but less than five years	**568,056**	541,947
Loans from banks	**300,079**	50,013
	2,015,675	1,651,374
Of which repayable on demand or short notice	**27,281**	11,810

Loans from banks represents amounts drawn (including accrued interest) under the Bank of England's Term Funding Scheme with additional incentives for SMEs.

16. Loans from group companies

	2021 £'000	2020 £'000
Repayable on demand:		
- payable to parent	**1,259**	556
- payable from parent subsidiary	**(120)**	(38)
	1,139	518

SOS Intelligence is a subsidiary of the Bank's parent company that provides cyber protection services to the Bank.

17. Other liabilities

	2021 £'000	2020 £'000
Accrued interest payable	**163**	160
Accruals and deferred income	**12,193**	8,603
	12,356	8,763

18. Financial instruments

The carrying values of the Bank's financial assets and liabilities are summarised by category below:

	2021 £'000	2020 £'000
Financial assets		
Measured at amortised cost:		
- cash and balances at central banks	**181,074**	151,160
- loans and advances to other banks	**23,577**	54,174
- loans and advances to customers	**1,808,607**	1,646,322
- debt securities	**221,816**	-
	2,235,074	1,851,656
Financial liabilities		
Measured at amortised cost:		
- deposits from customers	**1,715,596**	1,601,361
- loans from banks	**300,079**	50,013
- long-term subordinated debt	**29,256**	33,241
	2,044,931	1,684,615

The Bank's income, expenses, gains and losses in respect of financial instruments are summarised below:

	2021 £'000	2020 £'000
Interest income and expense		
Total interest income on financial assets at amortised cost	**119,015**	105,322
Total interest expense on financial liabilities at amortised cost	**(23,857)**	(26,271)
	95,158	79,051
Impairment losses		
On financial assets measured at amortised cost	**6,455**	13,465
	6,455	13,465

19. Long-term subordinated debt

	2021 £'000	2020 £'000
2016 Subordinated debt	**–**	4,049
2019 Subordinated debt	**20,274**	20,242
2020 Subordinated debt	**8,982**	8,950
	29,256	33,241

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

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

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

20. Called up share capital

	2021	2020
	£'000	£'000
Value of shares		
Issued, allotted, called up and fully paid:		
At 1 January (Ordinary shares of £1 each)	**10,350**	10,350
31 December (Ordinary shares of £1 each)	**10,350**	10,350

	2021	2020
	'000	'000
Number of shares		
Issued, allotted, called up and fully paid:		
At 1 January (Ordinary shares of £1 each)	**10,350**	10,350
31 December (Ordinary shares of £1 each)	**10,350**	10,350

The Bank issued no shares in the year.

The Bank's other reserves are as follows:

- The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.
- The contingent convertible securities reserve represents the equity component of contingent convertible securities.
- The retained earnings reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

21. Contingent convertible securities

	2021	2020
	£'000	£'000
2015 Contingent convertible securities	**4,700**	4,700
2017 Contingent convertible securities	**12,151**	12,151
	16,851	16,851

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

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

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

22. Commitments

	2021	2020
	£'000	£'000
Conditional commitments to lend	**627,103**	488,683

Commitments to lend comprise lending approvals subject to conditional performance undertakings by customers. These can be cancelled if the customer is in breach of the terms and conditions of their facilities. Property Development facilities may only be drawn subject to certification of construction work by independent professional.

The Bank operates from two floors of an office building in London. The operating lease commitments are shown below:

	2021	2020
	£'000	£'000
Commitments under annual operating leases for leased property expiring in:		
less than one year	**1,250**	1,219
one to two years	**1,250**	1,198
two to five years	**1,354**	2,495

23. Employee benefits

The Bank operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the Income Statement for this benefit in the period ended 31 December 2021 was £1,906k (2020: £1,459k).

24. Related party transactions

Under FRS 102 Section 33 the Company is exempt from the requirement to disclose intragroup transactions with related parties on the grounds that the Bank is wholly owned by its parent company, UTB Partners Limited, whose consolidated accounts are publicly available. Details of the directors' remuneration are stated in note 4.

25. Segmental information

The Company operates in one segment of business which is lending; all income on loans granted arises in the United Kingdom.

26. Risk management

Risk is inherent in all aspects of the Bank's business and effective risk management is a core objective for the Bank. Further details of the Bank's risk management framework can be found in the Risk Management Report on pages 19 to 31.

The principal methods used to manage risks identified by the Bank include:

- Board and management committees to approve the risk framework, risk appetite limits and policies, and to monitor adherence to them;
- Management information that analyses the level of risk exposure at relevant points in time;
- Departmental policies, procedures and mandates to limit the extent to which individuals can commit the Bank to accepting additional risk;
- Risk and compliance reviews that act as a 'second line of defence' that ensure that mitigating controls are designed and are operating effectively; and
- Independent internal audit reviews which act as a 'third line of defence' to provide an independent assessment of the Bank's risk management, control and governance processes, including to consider the appropriateness of, and compliance with, policies and procedures.

Further details on the Bank's principal risks are considered below. The Bank does not have a trading book and as such exposure to market risk is immaterial.

Credit risk
Credit risk is the risk that counterparties will be unable or unwilling to meet their obligations to the Bank as they fall due. Credit risk arises from lending transactions.

The Bank seeks to mitigate credit risk by:

- Operating in markets where it has significant understanding and expertise;
- Diversifying and fully securing exposures, with conservative lending criteria;
- Defining risk-based delegated underwriting authorities;
- Verifying borrower credit worthiness and track record;
- Regularly reviewing portfolio performance and risk appetite;
- Operating a forward looking assessment of market dynamics; and
- Establishing detailed limits to manage exposures including concentration risks.

The Bank's Credit Committee sanctions larger credit limits and ensures credit risk is mitigated to an acceptable level. It regularly reviews loan performance, large exposures and adequacy of provisions. Its role is to ensure that the Bank's approved credit appetite is adhered to. In respect of credit limits sanctioned by delegated authority, the Bank's credit department provides oversight to ensure such sanctioning complies with the Bank's credit policies and procedures.

Through its robust credit, underwriting and oversight process, the Bank ensures the quality of the loan book is within the Bank's risk appetite. It closely manages its concentration risk to single borrowers and sectors, obtaining strong security cover and/or additional recourse on the majority of its lending facilities, thereby observing the Bank's prudent credit risk appetite.

Provisions for bad and doubtful debts are based on the appraisal of loans and advances by the Credit Committee. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

Distribution of loans and advances by credit quality

	At 31 December 2021		At 31 December 2020	
	Loans and advances to customers	**Loans and advances to banks**	Loans and advances to customers	Loans and advances to banks
	£'000	**£'000**	£'000	£'000
Neither past due nor impaired	**1,764,368**	**204,651**	1,572,675	205,334
Past due but not impaired				
Loans and receivables at amortised cost:				
- less than three months	**14,406**	**–**	17,276	–
- three to twelve months	**2,977**	**–**	4,024	–
- one to five years	**1,911**	**–**	6,866	–
Forbearance	**13,272**	**–**	16,697	–
Impaired	**10,318**	**–**	4,858	–
Repossessions	**10,638**	–	32,828	–
Less: provisions	**(9,283)**	**–**	(8,902)	–
	1,808,607	**204,651**	1,646,322	205,334

The past due loans are subject to close oversight. In the main they relate to transactions that have reached maturity and the Bank has decided not to extend the facility, even though the loan to value may remain at an acceptable level.

Concentration risk
Concentration risk arises from having high or excessive exposures to one sector, geographical area, counterparty or group of counterparties which can lead to correlated losses in the event of an adverse movement in the strength or creditworthiness of the borrower(s) or security. Concentrations can arise from large individual exposures or a number of exposures to a group of related counterparties.

The Bank assesses and monitors its exposure to a range of criteria, including sector, region, counterparty and concentration in security type. Concentration risk is managed and controlled through the use of appropriate limits for each business area. Reported exposures against concentration limits are regularly monitored and reviewed.

Concentration risk of treasury assets and interbank deposits is managed and controlled through policies and limits.

Liquidity risk
Liquidity risk is the risk that the Bank is not able to meet its financial obligations as they fall due, or can do so only at excessive cost. The ALCO recommends to the Board the policies to mitigate this risk and regularly reviews the profile of the Bank's assets and liabilities to ensure that it is positioned prudently and in compliance with agreed policies and limits, taking into account prevailing market conditions, and projections for business growth.

The Bank maintains a liquid asset buffer primarily consisting of deposits at the Bank of England. This buffer is in excess of the minimum set by the PRA's liquidity framework.

Interest rate risk
Interest rate risk is the risk that the value of the Bank's assets and liabilities or profitability will fluctuate in response to changes in interest rates.

A positive interest rate sensitivity gap means more assets than liabilities re-price during a given period. A positive gap tends to benefit net interest income in an environment where interest rates are rising. However, the actual effect will depend on a number of factors including actual repayment dates and interest rate sensitivity within the re-pricing period.

The vast majority of loans and advances dealt with in the following table are made at fixed rates or benefit from interest rate floors. Due to their non-linear nature, the effect of interest rate floors cannot be accurately shown in the following table. Where appropriate, loans with interest rate floors have been shown in the column matching their re-pricing date.

At 31 December 2021, the Bank's interest rate gap sensitivity, being the potential benefit to the Bank's economic value, resulting from a +/- 200bps parallel shift in the yield curve, was £(0.8)m and £25.8m respectively, on the basis that rates can go below 0.0%. Assuming a 0.0% interest rate floor, the benefit was £(0.8)m and £15.6m respectively. This takes into account appropriate behavioural adjustments.

Interest rate re-pricing table

2021	**Not more than three months**	**More than three months but not more than six months**	**More than six months but not more than one year**	**More than one year but less than five years**	**More than five years**	**Non-interest bearing**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to customers	891,946	109,831	204,169	599,550	201	2,910	1,808,607
Loans and advances to banks	204,651	–	–	–	–	–	204,651
Loans to group companies	–	–	–	–	–	120	120
Debt securites	1,021	82,784	138,011	–	–	–	221,816
Other assets	–	–	–	–	–	18,984	18,984
	1,097,618	192,615	342,180	599,550	201	22,014	2,254,178
Deposits from customers	423,835	199,983	514,756	552,223	15,834	8,965	1,715,596
Loans from Banks	300,079	–	–	50,013	–	–	300,079
Other liabilities	–	–	–	–	–	12,356	12,356
Long-term subordinated debt	–	–	–	29,000	–	256	29,256
Loans from group companies	–	–	–	–	–	1,259	1,259
Total capital and reserves	–	–	16,851	–	–	178,781	195,632
	723,914	199,983	531,607	581,223	15,834	201,617	2,254,178
Interest rate sensitivity gap	373,704	(7,368)	(189,427)	18,327	(15,633)	(179,603)	
Cumulative gap	**373,704**	**366,336**	**176,909**	**195,236**	**179,603**	**–**	

2020	**Not more than three months**	**More than three months but not more than six months**	**More than six months but not more than one year**	**More than one year but less than five years**	**More than five years**	**Non-interest bearing**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to customers	269,997	146,501	449,272	721,500	57,428	1,624	1,646,322
Loans and advances to banks	205,334	–	–	–	–	–	205,334
Other assets	–	–	–	–	–	16,276	16,276
	475,331	146,501	449,272	721,500	57,428	17,900	1,867,932
Deposits from customers	445,789	186,100	477,535	468,074	23,863	–	1,601,361
Loans from Banks	–	–	–	50,013	–	–	50,013
Other liabilities	–	–	–	–	–	8,763	8,763
Long-term subordinated debt	–	4,049	–	20,242	8,950	–	33,241
Loans from group companies	518	–	–	–	–	–	518
Total capital and reserves	–	–	4,700	12,151	–	157,185	174,036
	446,307	190,149	482,235	550,480	32,813	165,948	1,867,932
Interest rate sensitivity gap	29,024	(43,648)	(32,963)	171,020	24,615	(148,048)	
Cumulative gap	**29,024**	**(14,624)**	**(47,587)**	**123,433**	**148,048**	**–**	

The fair values of financial assets and liabilities are approximately equal to their book values.

27. Capital management

The Bank maintains a strong capital base to support its lending activities and to comply with its capital requirements at all times.

Capital management is based on the three 'pillars' of Basel III. Under Pillar 1, the Bank calculates its minimum capital requirements based on 8% of risk weighted assets plus an amount in respect of operational risk. The PRA then adds an additional requirement to this amount to cover risks under Pillar 2A of Basel III and generates a Total Capital Requirement. Further capital is held to meet buffer requirements which are set by the Bank of England and the Capital Requirements Regulation. The Bank benefits from a surplus of capital resources over and above its Total Capital Requirement and buffer requirements. The table below shows the composition of the Bank's regulatory capital resources.

Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess information on that firm's capital, risk exposures and risk management process. The Group's Pillar 3 disclosures can be found on its website at www.utbank.co.uk.

Capital adequacy is monitored by the Board, Management Committee, ALCO and 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 Board to take into account the effects of events that were not reflected in the original budgets.

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

Included within the ICAAP are capital projections, which reflect not only the Bank's chosen strategy and potential growth prospects, but also the results of a range of scenario analysis and stress tests of these plans. This process is designed to ensure that adequate capital is retained by the Bank 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 Bank and the appropriate amount of capital that the Bank should hold to protect against those risks.

Regulatory capital resources

	2021	2020
	£'000	£'000
Common equity tier 1 capital		
Called up share capital	**10,350**	10,350
Share premium	**25,680**	25,680
Retained earnings	**142,751**	121,155
Deductions from common equity tier 1 capital		
Intangible assets	**(2,506)**	(2,346)
Other deductions	**(6,750)**	(6,748)
Common equity tier 1 capital	**169,525**	148,091
Additional tier 1 capital	**16,851**	16,851
Total tier 1 capital	**186,376**	164,942
Tier 2 capital		
Subordinated debt	**28,738**	32,706
Collective provisions	**1,812**	1,772
Total tier 2 capital	**30,550**	34,478
Total regulatory capital resources	**216,926**	199,420

Other deductions from common equity tier 1 capital relates to the first loss element of the British Business Bank's Enable Guarantee.

28. Ultimate controlling company

UTB Partners Limited is the Bank's immediate parent, owns 100% of the Bank and is recognised by the directors as the Bank's ultimate controlling company. Financial statements for UTB Partners Limited, which is the smallest and largest group into which the Bank is consolidated, can be obtained from UTB Partners Limited, One Ropemaker Street, London EC2Y 9AW. The directors have no interests in the shares of any group company other than UTB Partners Limited.

29. Subsequent events

There have been no significant events after the date of the Statement of Financial Position up to the date of signing that require disclosure in accordance of FRS 102.

COMPANY INFORMATION

Bankers
Barclays Bank Plc
Lloyds Bank Plc

Auditor
Deloitte LLP

Legal Advisors
CMS Cameron McKenna
Nabarro Olswang LLP

Company Secretary
Shane Bannerton

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Registered Number
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Website
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Country of Incorporation
United Kingdom

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Report & Accounts 2021