United Trust Bank

REPORT AND ACCOUNTS
2020

Our strategy is focused on the long term, to operate and grow a sustainable business

Chairman's Report

2020 has been a year of extreme turbulence for the economy, society and the political landscape. United Trust Bank entered the Covid-19 pandemic in a relatively strong position and has thus far navigated it reasonably well. The Bank has shown high levels of adaptability and implemented its contingency plans promptly and effectively. From the start of the pandemic, the safety and wellbeing of the staff and their families has been of the highest importance to us.

The Bank has delivered a strong performance over the year. It has continued to deliver a stable and consistent service to its customers and brokers while operating remotely. This is reflected not only by the strong growth in new business and by the multiple awards it has won in the year, but also by the financial performance seen across the Bank, with profits before tax increasing 9% from 2019. It continued to invest in developing its people, in significant technology improvements and in its operational capability.

I would like to thank my colleagues on the Board for their valuable contributions during this challenging time. I would particularly like to thank Michael Lewis and Andrew Herd for their long and exemplary contribution as chairs of the Remuneration Committee and Audit Committee respectively, which they relinquished in 2020. We are very pleased that they have agreed to remain on the Board. My colleagues and I are also pleased to welcome Andrew Woosey to the Board as a non-executive director and Chair of the Audit Committee. Andrew is an experienced board member and trustee with significant financial services expertise combined with a partnership career in an international audit practice. 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.

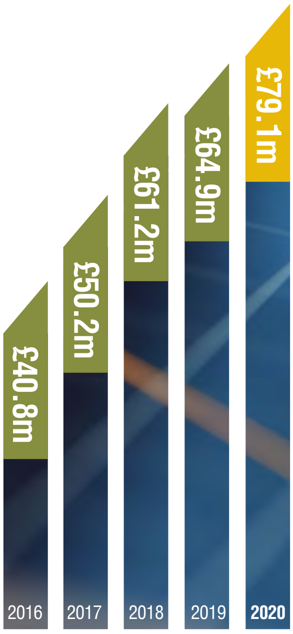
Following a long planned and signalled transition period, Graham Davin stepped down as Chief Executive Officer in January 2021 and will remain on the Board as non-executive Deputy Chairman. Since 2004, Graham has overseen the development of UTB into a thriving and profitable specialist UK bank, creating a diversified and balanced business that has demonstrated long-term growth capacity and has attracted outstanding people to work within it, while at the same time embedding a culture of strong core values at all levels of the organisation. On behalf of the Board and management, I would like to thank Graham for his outstanding leadership over almost two decades of significant growth and development. It has been and will continue to be a privilege to work with Graham and we look forward to building on the excellent position he has established.

I would also like to congratulate Harley Kagan who has been appointed as Chief Executive Officer from January 2021. Harley has been an executive director at UTB for 17 years and was part of the management buy-out team in 2004. He brings outstanding experience, knowledge and drive. Harley will lead a very talented and experienced management team, who I know will make the most of the opportunities that lie ahead.

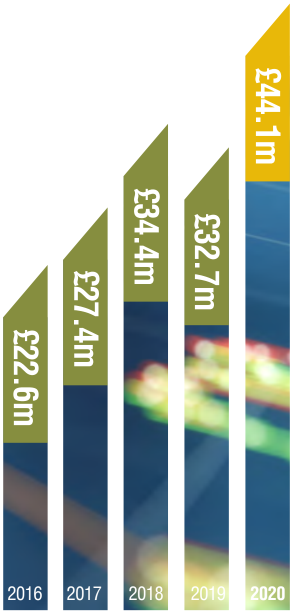
Finally, I would like to thank the whole team at United Trust Bank for their extraordinary talents and dedication, which has been demonstrated throughout a most difficult year. Although the New Year remains uncertain, I am confident that the Bank will continue to provide excellent levels of service for our customers and stakeholders, whilst ensuring the wellbeing of our employees.

Richard Murley
Chairman
26 February 2021

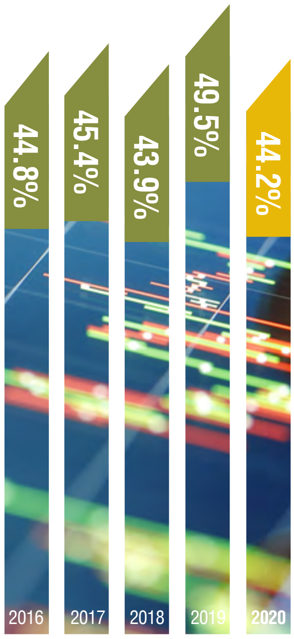
2020 Key Performance Indicators



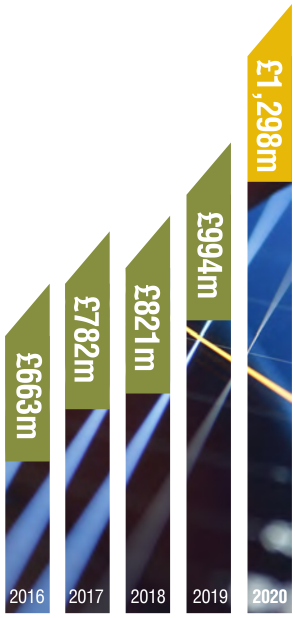
£79.1m
OPERATING INCOME



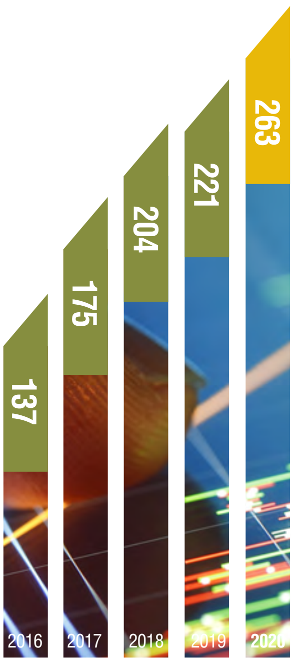
£44.1m
OPERATING PROFIT[1]



44.2%
COST INCOME RATIO[1]

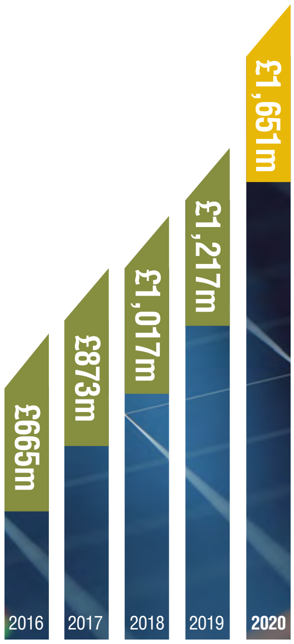


£1,298m
GROSS NEW LENDING

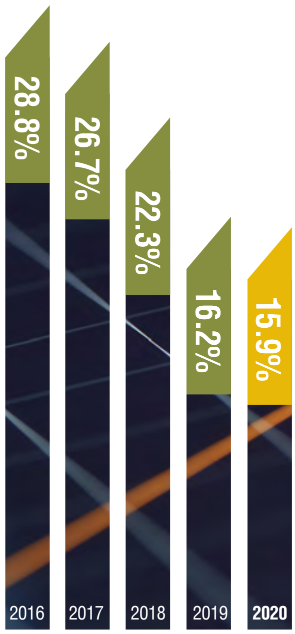


263
STAFF NUMBERS

£1,646m
LOAN BOOK



£1,651m
FUNDING[3]



15.9%
RETURN ON EQUITY[2]

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

Strategic Report

United Trust Bank ("UTB", "the Bank" or "the Company") has delivered a resilient performance and strong results in a challenging context. Operating Profit before impairment charges was £44.1m, an increase of 35% on 2019. Profit before tax grew 9% to £30.7m. New business volumes increased 31%, supporting 32% growth in loans and deposits to £1.6bn.

The year has been dominated by the impact of the Covid-19 pandemic. The Bank transitioned to remote working in advance of lock-down and the Bank has kept operating and remained open for business throughout. In light of the potential impact of Covid-19 on the economy, the Bank tightened credit appetite in early March. All business lines have continued to grow despite this tightening and the Bank has hired 42 new members of staff to support this growth. The Bank has continued to invest in business transformation and digitisation projects and introduced many new digital means of interacting with customers and brokers during the year, including the launch of full service online banking for deposit customers. We have prioritised staff communication, welfare and support throughout, and are grateful to our staff for their contribution to the results through these particularly unusual times.

From a credit perspective, the Bank is fortunate that it does not have a significant exposure to sectors most impacted by Covid-19, such as retail or leisure. To date the Bank has incurred limited Covid-19 driven losses, but with the pandemic continuing into 2021 and any potential impact of Brexit on the economy yet to emerge, the economic risks remain inflated into 2021.

Industry awards received have continued through 2020, and once again, the efforts of staff have been recognised, by winning 12 awards across many of our business lines (see below).

The economic environment

Covid-19 has had a significant impact on the world's economies and has been the key driver behind a range of material support measures introduced by the Government and the Bank of England during the year.

The Bank of England took early action in March, lowering Base Rate from 0.75% to 0.25% and then again, to 0.10% where it has remained since. Also in March, the Bank of England's FPC reduced the industry wide Countercyclical Capital Buffer to 0%, which provided additional capital headroom for all banks to help absorb the potential impact of Covid-19 while continuing to lend.

The Government response included a significant and wide ranging employee furlough scheme in a bid to maintain employment. Forbearance measures and payment holidays, together with Government backed lending schemes including the Coronavirus Business Interruption Loans Scheme ("CBILS"), were introduced to help protect individuals and firms from the impact of Covid-19. The Bank participated in the CBILS scheme, as this fits with its business model. The Bank did not claim under the furlough schemes for staff.

For Asset Finance customers, virtually all borrower payment holidays had expired by year-end, and agreed timeframes for resumption of full payments were in place for the remaining borrowers. The significant majority of Mortgage customers who took a payment holiday had resumed regular repayments by year end. In accordance with regulatory requirements, a minority of customers have requested and been granted extensions to payment holidays.

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.

Best Second Charge Mortgage Lender Financial Reporter Awards 2020

Best Second Mortgage Lender What Mortgage Awards 2020

Regulated Bridging Lender of the Year B&C Awards 2020

Paul Delmonte awarded Lender Relationship Manager of the Year The B&C Awards

Bridging Lender of the Year SFI Awards 2020

Secured Loan Lender of the Year SFI Awards 2020

Development Lender of the Year NACFB Awards 2020

Social Media Champion Crystal Specialist Finance Awards 2020

Paul Delmonte awarded BDM of the Year Crystal Specialist Finance Awards 2020

Buster Tolfree awarded Business Leader The British Specialist Lending Awards

Award for Customer Service 2021 Savings Champion Awards

Secured Loan Lender of the Year Mortgage Introducer Awards

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 credit 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.

Review of results

Total assets reached £1.9bn, an increase of 33%, driven by continued strong demand for the Bank's products and a growing distribution network. The Bank wrote £1.3bn of new loans during the year, which was 31% more than in 2019, and the loan book exceeded £1.6bn for the first time, of which £118m was Government supported lending under the CBILS scheme. This is a significant achievement in the context of Covid-19. The loan balance averaged over the year was 28% higher than in 2019 and this, combined with margin compression across lending divisions, resulted in interest income growth of 21% to £105.3m. Given the higher risk environment, the Bank maintained significantly higher levels of liquidity during the initial phase of the pandemic and again during the second half of the year as the departure of the UK from the EU approached. This reduced the efficiency of the balance sheet at times, reducing net interest income, but was considered appropriate given the economic climate.

Operating income, comprising net interest income and net fees, increased by 22% to £79.1m (2019: £64.9m). The cost of risk (being the provision for impairment losses divided by the average loan balance over the year) at 95bp (2019: 40bp) was higher than in previous years, which was mainly attributable to a small number of loans resolved during the year.

In line with the sector, the Bank continues to experience margin compression in certain lending products. The average cost of deposits decreased 21bp, reflecting a fall in savings market rates. Operating costs before provisions grew by 8.7% as a result of continued investment in people and systems, which has been offset by a decrease in other administrative expenses due to Covid-19 remote working conditions. Overall, the cost income ratio decreased to 44.2% in 2020 (2019: 49.5%).

The Bank's capital base increased during the year through retained earnings and a planned £6.5m net increase in Tier 2 subordinated debt. We were also pleased to achieve a reduction in our regulatory Total Capital Requirement from 10.23% to 9.00%. This reduction is a consequence of the evolution of the loan book, which now contains a greater proportion of mortgages which reduces the concentration risk of the overall book, together with a concerted effort to maintain high standards in the Bank's Risk and Governance processes. ROE for the year was 15.9%.

Treasury

Total customer deposit balances increased by 32% to £1,601m (2019: £1,217m) across 33,000 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 surplus liquidity, including its liquidity buffer, is held in a reserve account at the Bank of England, while operational balances are held with UK clearing banks. At the start of 2020, the Bank was a participant in the Bank of England's Funding for Lending Scheme ("FLS"). In May 2020 the FLS participation was replaced by drawings under the Bank of England's Term Funding Scheme with additional incentives for SMEs ("TFSME"), which was launched as part of the Covid-19 relief measures. The Bank's drawings under the scheme of £50m are repayable by June 2024.

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 17 to 23.

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

- Economic environment: we consider economic risk to be elevated at present due to the Covid-19 pandemic and the emerging potential impact of Brexit on the UK economy which could lead to weakness in the UK housing and commercial property markets and affect supply chains. The Bank only operates in Sterling in the UK, so is relatively isolated from any direct consequences of separating from the rest of the EU. Although Covid-19 has had an impact on the Bank's lending activities which led to changes in credit policy and reductions in Q2 house and car sales transactions, there has been a limited impact to incurred losses to date. The Bank continues to be mindful of potential impact of Brexit and Covid-19 on the economy, unemployment and the housing market.

- 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 managing arrears and defaults. Credit risk is currently elevated due to the uncertainties around the outlook for the UK economy and UK housing market, as noted above.

- 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 participated in the FLS, which in May 2020 was refinanced through the TFSME, a Government Scheme initiated in response to Covid-19. Only 3% of the Bank's current requirements are funded via TFSME and accordingly the refinancing risk is judged to be negligible.

- Cyber security: cyber risk is a form of operational risk and is the risk of the Bank's 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 has dedicated cyber security staff and resources who manage a range of preventative and detective measures. Nonetheless, we remain vigilant and plan to continue enhancing and testing our arrangements to counter this increasingly complex and evolving threat.

- 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

The Bank supports a staff-nominated charity, which focuses on social issues, and organises events throughout the year to raise awareness and to involve its employees.

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 relationship with its regulators.

Regulation

The Bank's Common Equity Tier 1 ("CET1") ratio was 11.4% (2019: 12.5%) at the end of the year, and its Total Capital Ratio was 15.4% (2019: 16.9%), comfortably exceeding the Bank's Total Capital Requirement ("TCR") (excluding regulatory buffers) of 9.00% (2019: 10.23%).

In November 2020, in line with its pre Covid-19 plans, the Bank issued £9m of new Tier 2 10 year subordinated debt and redeemed £2.5m of existing Tier 2 debt.

In March 2020, the Bank of England's Financial Policy Committee reduced the Countercyclical Capital Buffer ("CCyB") requirement to 0% from its previous level of 1% and said it did not intend to begin restoring the CCyB to its standard level of 2% until March 2022 at the earliest. The CCyB is in addition to the Capital Conservation Buffer of 2.5%. At the end of 2020, the total amount of capital committed to the 2.5% (2019: 3.5%) combined buffers, which apply to all banks in the UK, was £32m (2019: £35m).

Environment and society

The Bank is increasingly sensitive to its impact on the environment and society. The Bank has limited direct impact on the environment, other than through energy use, paper use, staff commuting and travel to brokers and customers. Given we are UK based, there is negligible international staff travel, and the majority of our staff commute using public transport. We support the cycle to work scheme, promote recycling and have reduced our use of single use plastics. Climate change is not considered to be a material risk to the Bank, but we continue to monitor the Bank's activities and are mindful of indirect risk through customers' activities.

The Bank's Climate Change Committee is considering the topic in line with Task Force on Climate Related Financial Disclosure ("TCFD") requirements and the PRA's expectations as set out in supervisory statement SS3/19. To support the Climate Change Committee, four sub-committees have been established, each chaired by a member of the Bank's Management Committee. These sub-committees are covering four work streams: innovation, risk, stress testing and disclosure, and are progressing through the topics to understand and address the impact of climate change risk on the Bank and its customers.

The Bank 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 Bank matches eligible charitable donations of staff. During the year, the Bank has made specific Covid-19 related donations, including donations to food banks.

Energy and carbon reporting

This year we have 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 during 2020, 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 (tCO_2e).
- **Scope 2**, Indirect emissions – These are GHG emissions which are a consequence of our activity, but arise from sources we do not own or control. Indirect emissions include electricity & gas consumption and are our highest source of GHG 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, business travel by employees using their own vehicles. These emissions occur during broker and customer visits by a limited number of staff. Calculating the volume of these emissions requires knowledge of the emissions of each vehicle, which we do not have records of, so we have calculated the below based on average mileage claims submitted by employees.

Breakdown of UK energy consumption used to calculate emissions (kWh):	Year Ended 31 December 2020
Company owned or controlled vehicles	1,677
Electricity	259,553
Heat, steam and cooling[1]	674,829
Employee owned vehicles where the Bank purchases the fuel	33,451
Total gross energy consumed	**969,510**
[1]This includes heat provided by natural gas-fired plant not under 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 is treated as a Scope 2 emission.	

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

Intensity ratio	
Tonnes of CO_2e per employee	1.02

Actions to reduce carbon footprint

The Bank takes its responsibility towards climate change and the environment seriously and we have taken a series of measures to ensure we continue to reduce emissions and lower electricity usage.

- The only direct scope assets owned by the Bank are two cars, both of which are fully electric to reduce direct emissions.

- The impact of Covid-19 has allowed us to explore the environmental benefits of more flexible working, which in turn has reduced electricity usage in the office, but is slightly offset by electricity used by employees working from home. However, the majority of our electrical usage comes from the Bank's computer systems. The Bank already have a number of cloud-based systems and expect to migrate more systems onto the cloud in the coming years, which should marginally reduce direct usage of electricity.

- The Bank continues to encourage staff to consciously reduce their own environmental impact by offering season ticket loans for public transport, cycle to work schemes and waste recycling schemes in the office.

Staffing and management

Staff numbers reached 263, a 19% increase on 2019, 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. Hiring of new staff was temporarily suspended in the initial months of the pandemic, but as it became clear that the Bank's growth was continuing, hiring was resumed.

We continue to promote the Bank's values and were pleased to present five employees with individual value awards during the year. Winners of these awards are voted for by colleagues as people whose behaviour exemplifies the Bank's values.

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.

Equality and diversity

The Bank employs staff from a wide variety of backgrounds, origins, experiences and cultures. We recognise, respect and value people's differences in terms of skills, experience, background, race and gender and this is reflected both within the organisation, in our recruitment and promotion process and in the way we treat our customers.

Employees believe in treating each other fairly, with dignity and respect and creating an environment where every individual is given equal access to opportunities to fully develop 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 our opinions. During the year, the Bank established a Diversity and Inclusion Committee whose 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.

The Directors are 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 to discipline 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 we can apply corrective measures.

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 identifying the current skills gap, as well as complementing and expanding the skills, knowledge and experience of the Board as a whole.

In 2020, the Bank set up a Diversity and Inclusion Committee with Board level and employee representation. This has enabled us to seek feedback on how to make employees feel more included and to improve equality and diversity within the Bank. We have a number of diversity and inclusion initiatives, which we are committed to in 2021.

Culture

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.

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: we place a great deal of faith in our employees and how they 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 and a highly collaborative approach. We aim to ensure that all of our employees feel valued and appreciated. The directors engage with our employees through regular meetings and feedback sessions; through a structured appraisal process; and through employee surveys, to help understand which policies employees' value and what changes they would like to see implemented within the organisation. The results allow us to analyse what is working well and to identify areas needing improvement to increase commitment to and the success of the Bank. Particular areas we have focused on this year include staff welfare and support during the pandemic. We have continued to focus on training and development programmes for staff, to ensure we invest in and retain high calibre employees by developing, supporting and motivating them to perform at their full potential.

Customers: customers remain at the heart of our business. We have a customer focused strategy and mission, which is shown through our continuous interaction with customers via regular meetings and customer feedback programmes. This year we have continued to focus on providing efficient and flexible solutions for our customers and adapting to their needs by investing in technology and our people. Some examples include E-sign for Motor Finance customers, self-service card payments and the launch of our own UTB secure messaging and e-ID app. Whilst these were planned changes, they are more relevant during the pandemic as they have reduced paper-based interaction with customers.

Brokers: the intermediaries we operate with are crucial to the success of the business and therefore 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 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. We and relevant 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

While the scale, duration and nature of the Covid-19 crisis could not have been accurately predicted, responses and key decisions were quickly put in place.

In mid-January, management began to assess and plan for the potential impact of Covid-19 on the Bank. On 31 January, following the declaration by the World Health Organisation that Covid-19 was deemed to be an international public health emergency, the Bank's formal Incident Response Plan was triggered and the COO and Head of HR began formal response planning and staff communication. On 2 March, following the increase in cases in Italy and the EU increasing their risk categorisation, we increased the Bank's risk category assessment and an Incident Response team was formed, meeting multiple times per week, to deal with the operational aspects. The Incident Response team comprised of executive Board and Management Committee members and other key staff. The Management Committee, Board and regulator have been kept informed of the impact of the pandemic and the Bank's response to it.

Operations

The initial operational focus was on enabling the Bank to operate with almost all staff working remotely; on engaging with key outsourcers and suppliers to assess the impact on them; on staff and customer communications; and on supplies and workplace implications. Since Government restrictions commenced, the Bank's staff have been predominantly working from home, with a skeleton staff working from the office, on a weekly shift pattern to avoid cross infection within teams. The number of staff working from the office varied during the year depending on Government advice. Employees, community and customers were considered throughout our operational decision making process.

Financial impact

The Bank pro-actively raised additional liquidity early in the pandemic. This proved unnecessary but is good practice in the early stages of a crisis. In addition, the Bank undertook additional forecasting, stress testing, and compared the projected impact of the pandemic to previously run stress tests. This showed that the potential impacts were consistent with those that had been modelled previously and that there was no need for additional capital protective measures to be taken.

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. Throughout 2020 we have been supportive of all staff and their different home situations. We have been conscious of those who were classed as "vulnerable" and ensured that they have the support they need to cope in the current crisis. We have also been particularly aware of those faced with the disruption of home schooling young children, for whom more flexibility around working hours and annual leave has been helpful, and of those who are living alone. The Bank has also made sure to monitor the wellbeing of staff by keeping in touch with them through virtual departmental and companywide meetings, providing wellbeing advice and workshops and giving UTB Town Hall updates and supporting many team activities.

Customer support

During 2020 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 individuals and SMEs and in response to Covid-19 have introduced payment holidays and other forbearance measures to help those whose are finding themselves in financial difficulty due to Covid-19. We continue to monitor the circumstances of our customers and will continue to offer support when needed.

Credit policy

In response to the Covid-19 outbreak, the Bank's Credit Policy was revised at the end of Q1 2020, with lending criteria tightened in all business units and lending types. In Q4 2020, there were partial relaxations of the previous tightening reflecting our increased knowledge of the impact of Covid-19 on the UK economy and greater insight into affected borrower and asset types. With customers in mind, the Bank agreed a large number of payment holiday requests in Q2 and further extensions in Q3 and Q4 as appropriate.

Government support schemes

In order to help support its customers, the Bank joined the UK Government's Coronavirus Business Interruption Loan Scheme ("CBILS"). The CBILS scheme is a guarantee for eligible Property loans and the Bank agreed a portfolio size of £200m with the British Business Bank ("BBB"). At the end of 2020 CBILS loan balances were £118m. Due to the nature of our business, the impact of the pandemic on business performance has been limited, which supported the Bank's decision not to participate in the Government's staff furlough programme.

We begin 2021 well capitalised and highly liquid, operating effectively and continuing to write new business and serve customers and brokers.

Climate change impact plan

We acknowledge the importance of considering the potential impact of climate change on our business model and also the Bank's impact on the environment. This drove our decision to establish a Climate Change Committee, which considers the effects on the Bank's business model from both a financial and environmental perspective, as set out in more detail above.

Other key decisions:

- Environment and climate change - as detailed on pages 9 and 23
- Equality and diversity - as detailed on page 10
- Capital allocation – as detailed on page 9
- Staff and Board changes

We are pleased to welcome a number of new staff to the Bank during the year, including Mark Stokes, who joined us as Chief Commercial Officer and who brings a wealth of experience to the Bank. In addition, we are pleased to welcome Andrew Woosey to the Board, as chair of the Audit Committee and as a member of the Risk Committee; and Sarah Laessig and Maria Harris, existing non-executive directors, to the Audit Committee and Risk Committee respectively. Sarah also joined the Remuneration Committee, which Richard Murley now chairs.

Summary

2020 concluded with the UK leaving the European Union, which will redefine its trading relationship with the EU and the rest of the World. Notwithstanding the UK-EU trade deal agreed, there will be significant change and disruption. Given it only operates in the UK, the Bank is not directly affected, but there may be knock on effects for its customers and the market. In addition, we have the health and economic challenges resulting from Covid-19. We begin 2021 well capitalised and highly liquid, operating effectively and continuing to write new business and serve customers and brokers. Nevertheless the country is still in lockdown and we are alert to the potential risks that 2021 may bring.

Our thoughts remain with all the people who have suffered a loss or an illness during the last year. We remain grateful to all those on the front line, especially NHS staff, who continue to help us all get through the pandemic.

The Board and Management team continue to be grateful for the ongoing support of our customers and brokers, and for the dedication and hard work of our staff through what has been an unprecedented year. Notwithstanding the Covid-19 pandemic, the Bank reports another year of strong growth and begins 2021 with confidence.

Graham Davin
Chief Executive Officer
(to 26 January 2021)

26 February 2021

Harley Kagan
Chief Executive Officer
(from 26 January 2021)

26 February 2021

The loan book exceeded £1.6bn for the first time

Corporate Governance 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 Board

Prior to Graham Davin becoming non-executive Deputy Chairman on 26 January 2021, the Board of Directors comprised the non-executive chairman, six non-executive directors and four executive directors, as listed on pages 26 to 27. The Board is chaired by Richard Murley who is responsible for its effectiveness. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience is maintained.

The Board meets at least six times during a year, based on a defined timetable, and additionally when required. The Board is responsible for establishing and monitoring the Bank's strategy and 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. Implementation of the strategy and these policies 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. All members of the Board receive accurate and timely information to enable them to effectively participate in discussions.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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. The Board is also responsible for 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 financial results, 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.

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.

Audit Committee

The Audit Committee is chaired by Andrew Woosey, who was appointed to the Board on 25 June 2020 as a non-executive director, and as Chair of the Audit Committee from 30 July 2020. It includes other non-executive directors Stephen Lockley and Sarah Laessig, who was appointed to the Committee from 6 June 2020. Andrew Herd was the Audit Committee Chairman prior to the appointment of Andrew Woosey and remains a non-executive director on the board.

The committee reviews the effectiveness of the Bank's internal controls, approves the internal audit programme and examines completed internal and external audit reports. It considers the major 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. The committee assesses internal audit resources and confirms that these are sufficient to fulfil their responsibilities.

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. The committee also appraises the performance of the internal audit function and the independence of the external auditors. The committee reviews the appointment of external auditors at intervals of not more than three years and approves the audit fees.

Risk Committee

The Risk Committee is chaired by Stephen Lockley, a non-executive director, and includes non-executive directors Andrew Herd, Maria Harris, who was appointed to the committee on 21 February 2020, and Andrew Woosey, who was appointed to the committee on 15 December 2020.

The Risk Committee is responsible for advising the Board on the Bank's risk management framework. The committee considers the Bank's risk profile relative to current and future strategy and risk appetite and identifies any risk trends, concentrations of exposures and any requirements for policy change. The risk profile of the Bank is reviewed and monitored through a continuous process of identification, evaluation and management of all material risks including any longer term strategic threats to the Bank.

The committee also reviews, challenges and recommends to the Board for approval, the risk appetite, risk measures and risk limits, taking into account the Bank's capital and liquidity adequacy, the Bank's operational capabilities and the external environment. It considers, oversees, challenges and advises the Board on the Bank's exposure to all significant risks to the business. It ensures that current and forward looking aspects of risk exposure are considered, especially for risks that could undermine the strategy, reputation or long term viability of the Bank.

The Risk Committee is also responsible for monitoring and reviewing the effectiveness of the compliance function including its independence, objectivity and resourcing.

Remuneration Committee

The Remuneration Committee is chaired by Richard Murley, the Chairman of the Board, who took over from the previous chair, Michael Lewis on 26 June 2020. Michael remains a non-executive director. Sarah Laessig, also a non-executive director, joined the committee on 17 February 2020.

The role of this committee is to consider remuneration policy, regulatory obligations and specifically to approve the remuneration and other terms of service of executive directors and senior managers.

The committee ensures that the remuneration policy is managed in a way which is appropriate to the Bank's size, internal organisation and the nature, scope and complexity of the Bank's activities. This policy provides a framework to attract, retain and motivate employees to achieve the objectives of the Bank within its stated risk appetite and risk management framework. The committee also ensures the remuneration policy is in accordance with the regulatory framework as set out in the Remuneration Code.

The Chairman of the Board and Chief Executive Officer recommend the fees payable to the non-executive directors. The Remuneration Committee approves the annual salary and bonus proposals for executive directors and staff. The committee meets semi-annually and additionally when required.

Management Committee

The Management Committee is chaired by the Chief Executive Officer and includes the other executive directors of the Bank, the Chief Risk Officer, the Chief Commercial Officer, the Chief Operating Officer, the director of the Mortgage Division 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 major projects of the Bank, its response to market conditions, 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.

Risk Management Report

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.

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 Chief Risk Officer reports performance regularly to the Board, Board Risk Committee and executive management via a comprehensive risk dashboard and commentary on performance against key risks indicators and developments in the risk environment.

Risk management framework

The Bank's risk management framework was reviewed and strengthened during 2020. It 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.

The risk management framework and the governance arrangements are designed to ensure that there is 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 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 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, scenario analysis and stress testing, the ICAAP, the ILAAP and recovery planning.

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.

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, 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.

The importance and value of colleague engagement with the Bank's risk-aware culture has been especially evident during the challenging operating environment in 2020.

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, Remuneration Committee and Management Committee) are set out on pages 15 to 16.

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

Three lines of defence

In line with industry best practice, UTB has implemented 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 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 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.

Credit Committee	The Credit Committee is responsible for overseeing all credit decisions, including those sanctioned by delegated authority. It 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 credit policy is prudent, 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.
Asset & Liability Committee ("ALCO")	ALCO meets monthly and ensures that the Bank adheres to its capital, liquidity and interest rate risk appetites and policies, as approved by the Board and that these policies are implemented 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.
Compliance Committee	The Compliance Committee is responsible for overseeing compliance with non-prudential regulatory requirements and conduct risk.
Operations Committee	The Operations Committee reviews business performance, operations and key issues. It is a forum for business units to share information.

The Board considers a robust risk-aware culture to be fundamental to sound risk management.

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 Head of Compliance, the Head of Prudential Risk Management and the Head of Credit report to the Chief Risk Officer who reports to the Chief Executive Officer and the Chairman 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 operationally to the Chair of the Audit Committee and administratively to Executive Management.

The third line of defence's scope and programme of work is agreed with the Audit Committee to provide an independent assessment of the Bank's risk management, control and governance processes. 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.

Scenario analysis and stress testing 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 Board annually or more frequently if required. The Risk Committee 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 scenario analysis and stress tests; 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.

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 2020 are provided overleaf.

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 heightened risk. 2020 began in an external environment of increased political clarity in the UK in comparison with the preceding two years. The general election held in December 2019 resulted in a government with a substantial majority in the House of Commons and claiming a clear mandate to negotiate the terms of the UK's exit from the European Union. Business and consumer confidence increased during the first two months of 2020. However, the spread of Covid-19 infections to the UK and the rapid escalation of the number of cases led the government to introduce substantive "lockdown" measures in March 2020. This led to a very large reduction in economic activity and, in due course, a number of extraordinary measures by the government and Bank of England to support the economy. UTB's strategic plan was consequently implemented in an environment of strong growth at the start of 2020, with business units maintaining the momentum gained in the final quarter of 2019. However, from March onwards, the Bank's operating environment was materially affected by the pandemic and associated government measures. In Q2 many transactional markets in the UK were effectively closed, including most housing and vehicle sale transactions. In addition, activity on a large minority of customer property development sites was temporarily halted. Against this background, UTB continued to execute against its plan, albeit with a reduction in credit appetite and policy parameters. The balance of growth in Q2 was skewed towards the property lending units (Bridging, Structured and Development Finance) and away from the Asset Finance and the consumer lending divisions (Mortgages and Motor). The differing lending growth rates achieved across the business units reflects the variable impact of Covid-19 on different markets, including borrower requests for payment holidays, certain transactional markets closing, the withdrawal of competitors in some segments and delayed loan repayments. The strong overall growth has been achieved within the constraints of a more prudent credit policy and appetite. The growth in the lending portfolio was funded as usual by a corresponding growth in deposit balances. The EU–UK Trade and Cooperation Agreement signed in December 2020 has provided more clarity on the potential impact of the UK's exit from the EU. While the full effects on the UK economy and the future volume of trade between the EU and the UK are not yet clear, the agreement removed the risk of a disruptive end to the transition period. Given the nature of UTB's activities, the impact is considered likely to be secondary in nature, affected by consequences in the wider economy rather than specific to any of UTB's chosen markets.
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 scenario analysis and 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 • The Board approves UTB's capital risk management strategy and the Assets & Liabilities Committee ("ALCO") meets at least monthly to review capital in comparison with appetite and early warning indicators	**Stable** The Bank continued to maintain a prudent level and mix of capital resources. UTB maintained its capital ratios in excess of regulatory requirements throughout 2020. At 31 December 2020, the CET1 ratio was 11.4% (2019: 12.5%) and the total capital ratio was 15.4% (2019: 16.9%). In December 2020, the PRA notified the Bank of a reduction in the Total Capital Requirement from 10.23% to 9.00%, following their C-SREP review of the Bank's ICAAP and risk profile. UTB is able to use Tier 2 subordinated debt as a proportion of total capital. As the amount of retained equity in UTB grows, the Bank has raised additional Tier 2 capital. During 2020, UTB successfully placed £9m of Tier 2 capital, a portion of which was used to redeem an existing tranche of £2.5m Tier 2, with the remainder added to the Bank's stock of total capital for banking purposes.

Risk Category	Mitigation	Status Update
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.	• The Bank is funded through the stable retail deposit market with most deposits covered by the Financial Services Compensation 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	**Stable** The Bank maintained a stable funding base and prudent levels of liquidity. UTB's liquidity position continued to be well managed during 2020. The Bank deliberately increased liquidity at times during the year, particularly at the beginning of the Covid-19 pandemic and following approval of the Bank as an issuer of CBILs loans, which resulted in an increased demand for lending. In March 2020, the Bank of England launched the "Term Funding Scheme with additional incentives for SMEs" (TFSME). In May 2020 UTB was accepted as a participant in the scheme. Drawings under the TFSME are for a period of four years.
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 where 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 external market was disrupted by the impact of the Covid-19 pandemic. In addition, the uncertainty surrounding the nature of the UK's future trading terms with the EU contributed to additional risk and uncertainty in the market during the year. Tail risk for the whole portfolio is one of UTB's key credit risk metrics and refers to those credit exposures classified as higher risk in terms of the Bank's credit risk ratings, specifically those exposures on the Bank's watch list or in recoveries. It has remained well within the Board's appetite throughout the year. Loan loss provision charges have increased during 2020, with a total provisions charge of £13.5m for the year ended 31 December 2020, compared with £4.5m in 2019. This higher charge was mainly the result of a small number of specific provisions on historic exposures in Development Finance and Bridging Finance, together with a collective provision on the Asset Finance book reflecting the challenging market conditions. Credit policy and appetite parameters were tightened across all lending types as a result of the Covid-19 outbreak in Q1 2020. Subsequent lending has been within these revised parameters, progressively reducing the balance of credit risk in the portfolio. During 2020 UTB's loan balances grew significantly, increasing by £0.4bn in the year to £1.6bn. A record level of originations has been achieved notwithstanding these credit policy amendments , reflecting UTB's strategy to remain open for business throughout 2020. In addition, government support schemes for the economy have supported growth, including the Coronavirus Business Interruption Scheme ("CBILS"), the Coronavirus Job Retention Scheme ("CJRS") and an increase in the stamp duty thresholds for residential housing purchases.
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	**Stable** The Bank's exposure to interest rate changes has remained stable. Interest rate risk has consistently remained well within the risk appetite approved by the Board. UTB has no material exposure to foreign currencies or to foreign exchange risk.

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 • 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 increased in 2020 given the need to adapt operational arrangements and processes in the context of the Covid-19 pandemic coupled with an external environment in which cyber-risk is considered to have increased. However, UTB's residual operational risk has remained well-controlled and within risk appetite. The Bank continues to be vigilant and closely monitor threats of cybercrime. Following the Covid-19 outbreak, the Bank's operating model changed from all staff being office-based to one in which the majority were working remotely. A risk controls assessment was undertaken to validate the effectiveness and performance of controls in this working model. This assessment confirmed the adequacy of controls in the changed operating environment. In December 2019 the PRA published CP 29/19 ("Operational resilience: Impact tolerances for important business services") and CP 30/19 ("Outsourcing and third party risk management"). Reflecting this, the Bank took action to enhance the Operational Resilience Framework initially implemented in 2018, including those elements relating to outsourcing and suppliers. There have been a number of key change initiatives in 2020, notwithstanding the external environment. Each of these projects has been subject to operational risk oversight and approval. Testing of operational controls continued throughout 2020 and all compliance monitoring reviews now incorporate an element of operational control testing.
Conduct & compliance risk The risk of financial loss, regulatory sanctions, or loss of reputation as a result of failure to comply with applicable laws and regulations and standards of good practice, including the risk of poor outcomes for customers.	• Regular monitoring of risks by the Compliance 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	**Stable** 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 delivered changes in the following areas during 2020 in response to regulatory consultation, guidance and policy statements: • Payment Deferral Guidance • Vulnerability Guidance • CRD V Remuneration • 5th Anti-Money Laundering Directive • FCA/PRA Mortgage Reporting Changes • Motor Finance Commission Models • UK exit from the EU Transition • Savings – Easy Access Saving Rates The FCA has provided three separate guidance papers during 2020 on the subject of payment deferrals for customers agreed in response to the Covid-19 pandemic. UTB has undertaken ongoing reviews and change implementation in its own and third party processes to ensure fair treatment of customers.

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 considered by the Board include:

Covid-19

Covid-19 has already had a significant and wide-ranging global impact during 2020 in economic, health, social and political terms. As such, it may be considered to have "emerged". However, there remains considerable uncertainty over the course of the pandemic during 2021, including:

- the extent of further infections, both in the UK and globally;
- the speed and effectiveness of health measures to counter the spread of the virus, including mass-vaccination programmes;
- political responses, including restrictions on freedom of movement and certain types of activities, together with economic, monetary and regulatory support measures;
- social responses, including consumer and business confidence and compliance with government requirements;
- the economic impact on different sectors of the economy, economic activity levels, inflation, unemployment, insolvency levels and business failure rates.

All of the above carry a degree of uncertainty and the combination of these factors creates an uncertain outlook over the short to medium term.

UTB has been able to adapt its operating model in response to the challenges created by the pandemic in 2020 and is not directly exposed to most of the worst-affected sectors of the economy. However, in addition to the operational implications, a significant impact on credit risk remains a plausible outcome and the Bank will continue to:

- review and adjust credit risk appetite and policies in the light of market developments;
- monitor key credit risk indicators and early warning metrics for emerging trends in the portfolio; and
- closely monitor and review borrower financial performance and behaviours across the different lending units in the portfolio.

UK exit from the EU and UK-EU future trading terms

The EU-UK Trade and Cooperation Agreement was signed in December 2020 and the UK's transition period ended on 31 December 2020. Given the nature of UTB's business, the direct impact is likely to be limited. However, it remains uncertain what regulatory and other changes may result from the UK's departure from the EU. In addition, the implications for the wider economy and UTB's customer base will emerge over time. No specific controls have been implemented in this regard however the Bank will continue to monitor customer and regulatory impact.

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, partly as a consequence of the changes to working practices and technology use as a result of the Covid-19 pandemic. A successful cyber-attack on the Bank would potentially disrupt customer service levels and cause reputational damage. During 2020, the Bank has further strengthened its cyber defences and operational resilience, in addition to continuing to promote 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. The Bank is currently undertaking a review of the risk implications for UTB of climate change, including identifying and assessing physical and transition risks and determining the implications for strategy, governance and risk management.

The Bank has continued to invest in business transformation and digitisation projects and introduced many new digital means of interacting with customers and brokers

Directors' Report

The directors present their annual report, together with the financial statements and auditor's report for the year ended 31 December 2020.

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") and motor finance to retail customers. 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

Andrew Woosey was appointed to the Board on the 25 June 2020. Graham Davin retired as Chief Executive Officer and was appointed as non-executive Deputy Chairman as of the 26 January 2021. Harley Kagan was appointed as Chief Executive Officer on the 26 January 2021. A full list of the directors can be found on pages 26 to 27.

Dividend

No dividend has been paid or been declared during the year and up to the date of this report.

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. Accordingly, Deloitte LLP are deemed to continue as auditor.

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 7 to 13.

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 Bank'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
26 February 2021

Board of Directors
And Committee Membership

RICHARD MURLEY

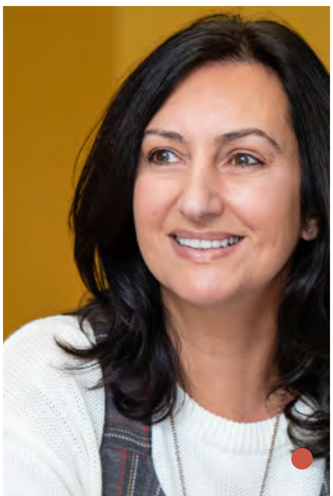
Chairman Richard Murley studied law at Oxford University and began his career at Linklaters & Paines before moving into investment banking with Kleinwort Benson and Goldman Sachs. Following a two-year secondment as Director General of The Takeover Panel, he joined NM Rothschild & Son where he is a Senior Adviser. 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.

GRAHAM DAVIN

Deputy Chairman Graham Davin 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.

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. As a participant in a number of government and industry working groups, she continues to drive innovation in the home buying and mortgage sector. She is a Chartered Fellow with the Chartered Management Institute and holds supporting roles with NHS South Tees and Coadjute.



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.

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, managing businesses across developed and developing markets. Sarah is a NED on the boards of Local Pensions Partnership Investment and is a Director of Citigroup (UK) Pension Trustees. Sarah was formerly a Commissioner on the Civil Service Commission, an independent regulator that oversees appointments to the Civil Service, and a Non-Executive Director of Valoot Technologies. Sarah holds an MBA from the Wharton School of the University of Pennsylvania and the Financial Times Non-Executive Director Diploma.

HARLEY KAGAN

Chief Executive Officer
Harley Kagan is the Chief Executive Officer of United Trust Bank and a chartered accountant. He has held had a number of roles including leading the Banks' lending businesses and Finance Director. 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. Jonathan 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..

NOEL MEREDITH

Executive Director Noel Meredith is a career banker. He joined Midland Bank after graduating from Cambridge University. He was previously at County Bank and Svenska Handelsbanken and has been at United Trust Bank for 20 years. He has extensive experience in corporate and property lending and heads the Development Finance team.

AUDIT COMMITTEE RISK COMMITTEE MANAGEMENT COMMITTEE REMUNERATION COMMITTEE C CHAIR

(as at 31 December 2020)

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 Chairman 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.

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.

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 boards of the Centre for Economic Policy Research and Tom's Trust, and also a Member of the European Advisory Board – Adjoint Inc. 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.

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.

Independent Auditor's Report To The Members Of United Trust Bank Limited

Report on the audit of the financial statements

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 2020 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).

Summary of our audit approach

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 £2.1m, 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.

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.

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, which included specific consideration of the impacts of the Coronavirus pandemic, in order to understand, challenge and evidence the 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 ILAAP 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 capital and liquidity requirements imposed by the Bank's regulators, 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.

Our application of materiality

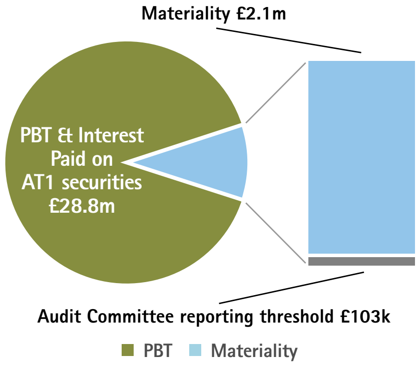
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows >

Loan impairment and provisioning

Key audit matter description	The Company has a significant loan portfolio to customers of £1,646m (2019: £1,243m). 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 37, judgements in applying accounting policies and critical accounting estimates on page 37 and provision for impairment losses on loans and advances note 10 on page 42. 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 pinpointed 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 in other categories. In addition, the coronavirus pandemic has increased the complexity of determining impairment due to uncertainty of outcomes including the valuation of collateral property. The total provision balance as at 31 December 2020 was £8.9m (2019: £6.5m), of which £7.1m (2019: £5.4m) 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 involved our Deloitte Real Estate specialists to examine the Director's valuations of specific properties which are secured as collateral and to determine whether the valuation was within a reasonable range based on latest 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. • We critically assessed and challenged management's assumptions and consideration of the impact of the coronavirus pandemic on the estimation uncertainty in individual loan impairments.
Key observations	We consider management's judgements in relation to the individual impairment provision of £7.1m as at 31 December 2020 to be appropriate.

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 65% of materiality for the 2020 audit.

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 £103k (2019: £102k), 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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 provisions of laws and regulations, our procedures included 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 reviewed by the board on 25 February 2021;
- 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, the audit committee and external legal counsel 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 20 years, covering the years ended 31 December 2001 to 31 December 2020.

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

26 February 2021

Income Statement For
The Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Interest receivable and similar income	2	105,322	87,350
Interest payable and similar charges		(26,271)	(22,458)
Net interest income		79,051	64,892
Other income/(charges)		3	(26)
Operating income		79,054	64,866
Administrative expenses	3	(34,252)	(31,513)
Depreciation and amortisation	5	(678)	(620)
Provision for impairment losses	10	(13,465)	(4,484)
Operating profit on ordinary activities before tax		30,659	28,249
Tax charge for the year	6	(5,749)	(5,271)
Profit after tax retained for the financial year		24,910	22,978

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 2020

	2020 £'000	2019 £'000
Profit for the financial year	24,910	22,978
Other comprehensive income	-	-
Total comprehensive income	24,910	22,978

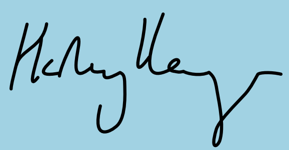
Statement Of Financial Position At
31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Loans and advances to central banks	8	**151,160**	128,732
Loans and advances to other banks	8	**54,174**	20,822
Loans and advances to customers	9	**1,646,322**	1,242,622
Tangible fixed assets	12	**667**	776
Intangible assets	13	**3,071**	2,681
Other assets	14	**12,538**	10,984
Total assets		**1,867,932**	1,406,617
Liabilities			
Deposits from customers	15	**1,601,361**	1,217,024
Loans from banks	15	**50,013**	-
Loans from group companies	16	**518**	261
Other liabilities	17	**8,763**	11,571
Long-term subordinated debt	19	**33,241**	26,787
Total liabilities		**1,693,896**	1,255,643
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		**121,155**	98,093
Total capital and reserves		**174,036**	150,974
Total equity and liabilities		**1,867,932**	1,406,617
Memorandum items			
Guarantees and assets pledged as security		**77**	15
Commitments	22	**488,683**	383,678

'Loans and advances to central banks' have been presented separately from 'Loans and advances to other banks', and the comparative amounts have been adjusted accordingly.

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 26 February 2021. They were signed on its behalf by:



Harley Kagan
Group Executive Officer
26 February 2021

Jonathan Ayres
Chief Financial Officer
26 February 2021

Statement Of Changes In Equity For The Year Ended 31 December 2020

	Share capital £'000	Share premium £'000	Contingent convertible securities £'000	Retained earnings £'000	Total £'000
At 31 December 2018	**10,350**	**25,680**	**16,851**	**86,972**	**139,853**
Profit for the financial year	-	-	-	22,978	22,978
Dividend paid	-	-	-	(10,000)	(10,000)
Coupon paid on contingent convertible securities	-	-	-	(1,857)	(1,857)
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**

Notes To The Financial Statements For The Year Ended 31 December 2020

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 10 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 advances 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 advances 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.

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 shares 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 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. Judgement is exercised in deciding how to apply historic experience to current market conditions and the current profile of the book.

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 2020 (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

	2020	2019
	£'000	£'000
Interest income	**92,183**	76,524
Fees and commissions received subject to EIR	**17,430**	14,557
Fees and commissions paid subject to EIR	**(4,291)**	**(3,731)**
	105,322	**87,350**

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

3. Administrative expenses

	2020 £'000	2019 £'000
Staff costs:		
- wages and salaries	**19,851**	17,654
- social security costs	**2,575**	2,374
- pension costs	**1,459**	1,071
- other staff costs	**1,021**	1,093
Fees payable to the Company's auditor:		
- audit of Company's annual accounts	**284**	185
- audit of parent company's annual accounts	**17**	15
Total audit fee	**301**	200
- audit related assurance services	**86**	12
- other assurance services no value this year	**–**	47
Total non-audit fee	**86**	59
Total fees payable to company's auditor	**387**	259
Premises and Facilities	**2,183**	2,234
Other administrative expenses	**6,776**	6,828
	34,252	31,513

The average number of people employed by the Bank (including executive directors) during the year was 237 (2019: 216). At the end of the year, the Bank employed 263 people (2019: 221). Staff costs include directors' remuneration set out in note 4.

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

	2020 Average No.	2019 Average No.
Lending	**162**	151
Treasury and central services	**75**	65
	237	216

4. Directors' remuneration

	2020 £'000	2019 £'000
The remuneration of the directors was as follows:		
- Emoluments	**2,540**	2,696
- Fair value of options exercised	**0**	817
- Company contribution to money purchase pension schemes	**13**	14

	2020 No.	2019 No.
The number of directors who:		
Are members of money purchase pension schemes	**2**	2
Exercised share options	**0**	2

	2020 £'000	2019 £'000
The above amounts for remuneration include the following in respect of the highest paid director:		
- Emoluments and incentive schemes	**792**	876
- Fair value of options exercised	**0**	484
- Other pension costs	**6**	7

During the year to 31 December 2020, the Bank's holding company, UTB Partners Limited, issued 90,000 options over its shares to the directors of the Company (2019: nil).

5. Operating profit on ordinary activities

Operating profit on ordinary activities is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration (note 3)	**387**	259
Depreciation and amortisation	**678**	620
Operating leases: property	**1,170**	1,230

6. Tax on profit on ordinary activities

Analysis of tax charge on ordinary activities

	2020	2019
	£'000	£'000
Current tax on profit on ordinary activities	**5,884**	5,464
Adjustments in respect of prior year:		
UK corporation tax	**68**	(215)
Total current tax	**5,952**	5,249
Deferred tax:		
Origination and reversal of timing differences	**41**	(26)
Effect of (increase)/decrease in tax rate on opening asset	(244)	48
Total deferred tax for the year (note 14)	**(203)**	22
Total tax on profit on ordinary activities	**5,749**	5,271

The Finance (No 2) Act in 2016 included a reduction to the main rate of corporation tax effective from 1 April 2020 from 19 per cent to 17 per cent. On 11 March 2020, the UK government announced in the Budget that the main rate of corporation tax would remain at 19 per cent from 1 April 2020.

The UK's Bank Surcharge Levy of 8 per cent applies to taxable profits above £25m, leading to an additional £336k of tax payable in 2020 (2019: £204k).

The standard rate of tax applied to reported profit on ordinary activities for the year is 19.00 per cent (2019: 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 2020, the net increase in deferred tax assets and liabilities decreased the corporation tax charge for the year by £203k (2019: £22k higher corporation tax charge).

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:

	2020	2019
	£'000	£'000
Profit on ordinary activities before tax	**30,659**	28,249
Tax charge at 19.00% (2019: 19:00%) thereon:	**5,825**	5,367
Effects of:		
Expenses and provisions not deductible for tax purposes	**18**	173
Tax rate changes on deferred tax balances	**(147)**	102
Bank Surcharge Levy	**336**	204
Prior year adjustment	**68**	(215)
Tax on items recognised in equity	**(351)**	(360)
Total tax charge for the period	**5,749**	5,271

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:

	2020		2019	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	**384,013**	**11.47**	458,250	11.12
Granted during the period	**167,000**	**30.00**	-	-
Options not taken up	**-**	**-**	(2,750)	38.00
Exercised during the period	**-**	**-**	(57,870)	5.12
Lapsed during the period	**-**	**-**	(13,617)	21.14
Outstanding at the end of the period	**551,013**	**17.09**	384,013	11.47
Exercisable at the end of the period	**375,013**		342,388	

The options outstanding at 31 December 2020 had a weighted average exercise price of £17.09 and a weighted average remaining contractual life of six years.

There were 167,000 options granted in 2020. The inputs into the Black Scholes model for options granted in 2020 were as follows:

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

Expected volatility for 2020 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 adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

8. Loans and advances to banks

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
- Loans and advances to central banks	**151,160**	128,732
- Loans and advances to other banks	**54,174**	20,822
	205,334	149,554

9. Loans and advances to customers

	2020	2019
	£'000	£'000
Loan receivables	**1,518,932**	1,131,701
Finance lease and hire purchase receivables	**127,390**	110,921
	1,646,322	1,242,622

Loan receivables	2020	2019
	£'000	£'000
Amounts falling due:		
- within one year	**806,279**	597,019
- over one year but less than five years	**414,353**	289,203
- more than five years	**306,426**	251,703
	1,527,058	1,137,925
Less: provision for impairment losses (see note 10)	**(8,126)**	(6,224)
	1,518,932	1,131,701
Of which repayable on demand or short notice	**45,566**	53,208

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

Finance leases and hire purchase receivables	2020	2019
	£'000	£'000
Gross investment in receivables falling due:		
- within one year	**56,100**	51,308
- over one year but less than five years	**88,057**	72,886
- more than five years	**217**	409
	144,374	124,603
Less: unearned future finance income	**(16,208)**	(13,447)
Net investment in finance leases and hire purchase receivables	**128,166**	111,156

Net investment in finance leases and hire purchase receivables:		
- within one year	**47,978**	44,110
- over one year but less than five years	**79,986**	66,642
- more than five years	**202**	404
Net investment in finance leases and hire purchase receivables	**128,166**	111,156
Less: provision for impairment losses on loans and advances (see note 10)	**(776)**	(235)
	127,390	110,921

Net receivable under finance leases and hire purchase contracts comprises:		
- Finance leases	**11,213**	11,599
- Hire purchase	**116,953**	99,557
	128,166	111,156

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	2020 £'000	2019 £'000
Individual impairments	**13,245**	4,671
Collective impairment	**691**	177
Unwind of discounting and recovery of loans previously written off	**(471)**	(364)
	13,465	4,484

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	2020 £'000	2019 £'000
Balance at 1 January	**5,378**	4,472
Charged	**13,245**	4,671
Increase recognised in income statement	**13,245**	4,671
Utilised during the year	**(11,493)**	(3,765)
At 31 December	**7,130**	5,378

Collective impairment provision	2020 £'000	2019 £'000
Balance at 1 January	**1,081**	904
Increase / (reduction) recognised in income statement	**691**	177
At 31 December	**1,772**	1,081

Balance at 31 December	2020 £'000	2019 £'000
Individual impairment provision of which:		
- detailed individual assessment	**6,053**	4,656
- individually modelled	**1,077**	722
Collective impairment provision	**1,772**	1,081
At 31 December	**8,902**	6,459

11. Debt securities

At 31 December 2020 the Bank held no Treasury Bills under the Bank of England's Funding for Lending Scheme (2019: £35m).

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 2020	678	1,287	31	1,996
Additions	–	129	–	129
At 31 December 2020	678	1,416	31	2,125
Depreciation:				
At 1 January 2020	210	1,006	4	1,220
Charge	69	164	5	238
At 31 December 2020	279	1,170	9	1,458
Net book value:				
At 31 December 2019	468	281	27	776
At 31 December 2020	**399**	**246**	**22**	**667**

13. Intangible assets

	2020	2019
	£'000	£'000
Cost:		
At 1 January	**3,984**	3,146
Additions	**830**	838
At 31 December	**4,814**	3,984
Amortisation:		
At 1 January	**1,303**	946
Charge	**440**	357
At 31 December	**1,743**	1,303
Net book value:		
At 31 December	**3,071**	2,681

Intangible assets consist of purchased computer software.

14. Other assets

	2020 £'000	2019 £'000
Deferred tax asset	**2,272**	2,069
Prepayments, deferred expenses and other debtors	**10,266**	8,915
	12,538	10,984

Deferred tax asset:		
As at 1 January	**2,069**	2,091
Effect of increase in tax rate on opening asset	**244**	(48)
Origination and reversal of timing differences	**(41)**	26
As at 31 December	**2,272**	2,069

A deferred tax asset of £2,272k has been recognised at 31 December 2020 (2019: £2,069k) 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

	2020 £'000	2019 £'000
Deposits from customers falling due:		
- within one year	**1,059,414**	809,543
- over one year but less than five years	**541,947**	407,481
Loans from banks	**50,013**	-
	1,651,374	1,217,024
Of which repayable on demand or short notice	**11,810**	12,752

At 31 December 2020 the Bank had drawn £50m under the Bank of England's Term Funding Scheme (2019: nil).

16. Loans from group companies

	2020 £'000	2019 £'000
Repayable on demand:		
- payable to parent	**556**	261
- payable from parent subsidiary	**(38)**	-
	518	261

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

17. Other liabilities

	2020 £'000	2019 £'000
Accrued interest payable	**160**	166
Accruals and deferred income	**8,603**	11,405
	8,763	11,571

18. Financial instruments

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

	2020	2019
	£'000	£'000
Financial assets		
Measured at amortised cost:		
- cash and balances at central banks	**151,160**	128,703
- loans and advances to other banks	**54,174**	20,851
- loans and advances to customers	**1,646,322**	1,242,622
	1,851,656	1,392,176
Financial liabilities		
Measured at amortised cost:		
- deposits from customers	**1,601,361**	1,217,024
- loans from banks	**50,013**	-
- long-term subordinated debt	**33,241**	26,787
	1,684,615	1,243,811

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

	2020	2019
	£'000	£'000
Interest income and expense		
Total interest income on financial assets at amortised cost	**105,322**	87,350
Total interest expense on financial liabilities at amortised cost	**(26,271)**	(22,458)
	79,051	64,892
Impairment losses		
On financial assets measured at amortised cost	**13,465**	4,484
	13,465	4,484

19. Long-term subordinated debt

	2020	2019
	£'000	£'000
2014 Subordinated debt	**–**	2,538
2016 Subordinated debt	**4,049**	4,039
2019 Subordinated debt	**20,242**	20,210
2020 Subordinated debt	**8,950**	-
	33,241	26,787

The balance on the 2014 subordinated debt was redeemed in 2020.

The 2016 subordinated debt bears interest at 8.5% payable semi-annually and is callable at the Bank's option from 30 October 2021, with a final redemption date of 30 October 2026.

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 October 2030.

20. Called up share capital

	2020	2019
	£'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

	2020	2019
	'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

	2020	2019
	£'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 11.14%

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

	2020	2019
	£'000	£'000
Conditional commitments to lend	**488,683**	383,678

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 parties.

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

	2020	2019
	£'000	£'000
Commitments under annual operating leases for leased property expiring in:		
less than one year	**1,219**	1,226
one to two years	**1,198**	1,219
two to five years	**2,495**	3,593
greater than five years	**-**	100

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 2020 was £1,459k (2019: £1,071k).

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 the 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 17 to 23.

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

- Board and management committees to approve 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 2020		At 31 December 2019	
	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	**1,572,675**	**205,334**	1,169,221	149,554
Past due but not impaired				
Loans and receivables at amortised cost:				
- less than three months	**17,276**	**-**	16,586	-
- three to twelve months	**4,024**	**-**	13,512	-
- one to five years	**6,866**	**-**	454	-
Forbearance	**16,697**	**-**	12,938	-
Impaired	**4,858**	**-**	1,505	-
Repossessions	**32,828**	-	34,865	-
Less: provisions	**(8,902)**	**-**	(6,459)	-
	1,646,322	**205,334**	1,242,622	149,554

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 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 existed at 31 December 2020, meaning 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 2020, 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 £2.2m and £21.7m respectively, on the basis that rates can go below 0.0%. Assuming a 0.0% interest rate floor, the benefit was £2.2m and £2.8m respectively. This takes into account appropriate behavioural adjustments.

Interest rate re-pricing table

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**	**-**	

2019	**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	293,333	156,754	204,963	529,335	58,237	-	1,242,622
Loans and advances to banks	149,554	-	-	-	-	-	149,554
Other assets	-	-	-	-	-	14,441	14,441
	442,887	156,754	204,963	529,335	58,237	14,441	1,406,617
Deposits from customers	325,540	146,883	337,660	391,555	15,386	-	1,217,024
Other liabilities	-	-	-	-	-	11,571	11,571
Long-term subordinated debt	-	2,538	-	24,249	-	-	26,787
Loans from group companies	261	-	-	-	-	-	261
Total capital and reserves	-	-	4,700	12,151	-	134,123	150,974
	325,801	149,421	342,360	427,955	15,386	145,694	1,406,617
Interest rate sensitivity gap	117,086	7,333	(137,397)	101,380	42,851	(131,253)	
Cumulative gap	**117,086**	**124,419**	**(12,978)**	**88,402**	**131,253**	**-**	

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. The Bank benefits from a surplus of capital resources over and above its Total Capital Requirement. Further capital is held to meet Pillar 2B buffers which are set by the Bank of England and the Capital Requirements Regulation. 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 Bank'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 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

	2020	2019
	£'000	£'000
Common equity tier 1 capital		
Called up share capital	**10,350**	10,350
Share premium	**25,680**	25,680
Retained earnings	**121,155**	98,093
Deductions from common equity tier 1 capital		
Intangible assets	**(2,346)**	(2,118)
Other deductions	**(6,748)**	(6,748)
Common equity tier 1 capital	**148,091**	125,257
Additional tier 1 capital	**16,851**	16,851
Total tier 1 capital	**164,942**	142,108
Tier 2 capital		
Subordinated debt	**32,706**	26,312
Collective provisions	**1,772**	1,081
Total tier 2 capital	**34,478**	27,393
Total regulatory capital resources	**199,420**	169,501

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
549690

Website
www.utbank.co.uk

Country of Incorporation
United Kingdom

UNITED TRUST BANK

Report & Accounts 2020