REPORT & ACCOUNTS **2022**

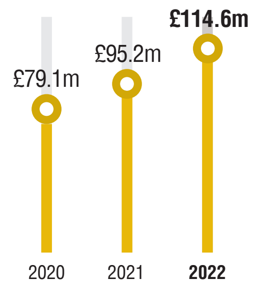
UNITED TRUST · BANK

CONTENTS

04 STRATEGIC REPORT

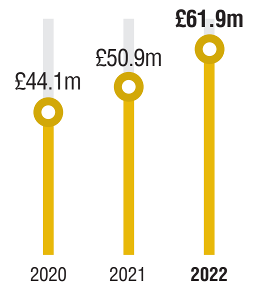
2022 KEY PERFORMANCE INDICATORS

OPERATING INCOME £114.6m



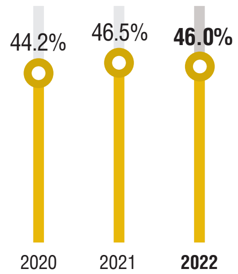
GROWTH IN OPERATING INCOME REFLECTS STRONG LOAN BOOK GROWTH

ADJUSTED OPERATING PROFIT[1] £61.9m



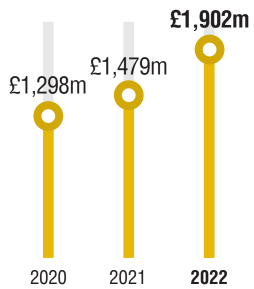
OPERATING PROFIT GROWTH RESULTS FROM GROWTH IN ORIGINATIONS AND CAREFUL COST MANAGEMENT

COST INCOME RATIO[1] 46.0%



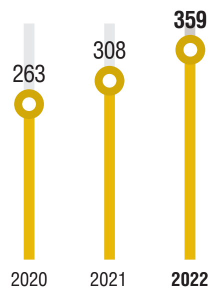
WE CONTINUE TO INVEST IN TECHNOLOGY AND PEOPLE TO BUILD THE BANK'S PLATFORM

GROSS NEW LENDING £1,902m



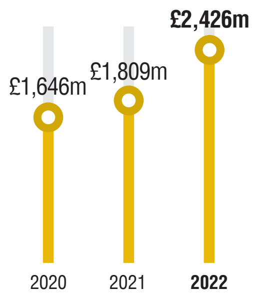
GROWTH IN NEW BUSINESS HAS BEEN ACHIEVED WHILST MAINTAINING PRICING DISCIPLINE

STAFF NUMBERS 359



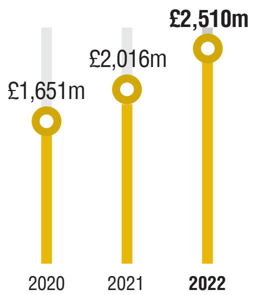
51 MEMBERS OF STAFF HIRED IN 2022 WITH TOTAL GROWTH OF 17%

LOAN BOOK £2,426m



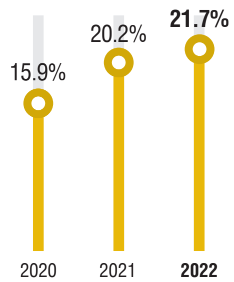
NEW BUSINESS VOLUMES DRIVING LOAN BOOK GROWTH

FUNDING[2] £2,510m



FUNDING INCREASED BY 25% MAINLY DRIVEN BY A 29% INCREASE IN CUSTOMER DEPOSIT BALANCES

RETURN ON EQUITY[3] 21.7%



ROE INCREASE DUE TO PROFIT GROWTH AND EFFECTIVE RISK MANAGEMENT

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

CHAIR'S REPORT

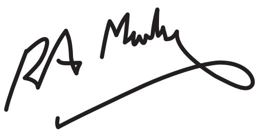
In January 2022 we were still emerging from the end of the Covid-19 pandemic, dealing with the consequences of Brexit and adapting to a new flexible way of working. During the year we witnessed the devastating impact of the Ukrainian war and our thoughts remain with the Ukrainian people. The war amplified the inflationary impact of the global recovery from the Covid-19 pandemic, further disrupting supply chains, increasing energy costs, inflation and interest rates and, as a consequence, increasing the cost of living.

United Trust Bank Limited ("UTB", "the Bank") has been resilient through these difficult circumstances which is reflected in our strong financial and operational performance in 2022, with profits before tax increasing 35% from 2021. We have delivered strong new business and balance sheet growth across all business lines. This performance was achieved alongside a continued focus on the wellbeing of our customers, employees and the communities in which we operate. Significant investment in our digital capabilities and new hires to support the long-term growth potential of our business remain key areas of focus. This will continue to be a priority for the Board, to enable the Bank to improve customer experience, increase efficiency and scalability and take advantage of emerging opportunities.

I would like to thank my colleagues on the Board for their contributions and counsel over the last year. In particular, I would like to thank Michael Lewis who stepped down from the Board in April 2022 after 14 successful years with the Bank. Michael has a wealth of experience and has contributed significantly to the growth and development of the Bank over this period, and he will be missed. Michael remains on the Bank's parent company Board as a Non-Executive director.

I would also like to thank Stephen Lockley who has been on the Board for 9 years and has consequently stepped down as Chair of the Risk Committee from March 2023. Stephen remains on the Board and a member of the Audit Committee. We thank him for his contribution and valuable insights over the years as Chair of the Risk Committee. Andrew Woosey has replaced Stephen as Chair of the Risk Committee and consequently has stepped down as Chair of the Audit Committee. I would like to thank him for his leadership and contribution. I am also pleased to welcome Alice Altemaire, who re-joined the Board in February 2022, and was appointed Chair of the Audit Committee in March 2023. The Bank is fortunate to be able to call on the wide range of experience and skills represented around the boardroom table.

Finally, I would like to thank all of our employees, who have collectively delivered outstanding results despite the ongoing challenging times we find ourselves in. Our people have had to deal with a lot of change in 2022, much of this due to the Bank's growth and the volatile markets, and it is a testament to their commitment and the quality of the Bank's management team that we are able to look forward to 2023 with confidence.



Richard Murley
Chair
9 March 2023

CHIEF EXECUTIVE OFFICER'S REPORT

Harley Kagan
Chief Executive Officer
9 March 2023

During the year, the external environment was affected by a number of political events which have had significant effects on the United Kingdom's economy and markets. Most notable is the sudden increase in inflation combined with the Bank of England increasing interest rates to levels not seen for 14 years. Nonetheless, the Bank's considered approach to the markets it operates in, its diversified business model and focus on its strategic priorities have combined to deliver growth across all of our lending portfolios, delivering market-leading returns and a Return on Equity of 21.7%. This is a tremendous achievement and a testament to our employee's determination, professionalism and commitment to UTB.

UTB's outstanding performance in 2022 demonstrates the hallmark of a resilient and robust business and its ability to thrive under changing circumstances. We are encouraged by the progress that the Bank has made which reflects the strength of its franchise and its robust operating platform.

Performance

The Bank's profit before tax grew 35% to £60.2m reflecting strong loan book growth of 34% and a stable net interest margin at 5.04%. These results were assisted by lower provision charges which, given the uncertainty in the macroeconomic environment, is an excellent outcome and reflects the credit quality of our loan book. We continue to monitor this closely. The Bank maintained a solid capital position above the applicable minimum regulatory requirements to support growth.

The overall growth in the lending portfolio has been funded by a corresponding growth in deposit balances, which passed the £2bn milestone in the year. The strength of the Bank's deposit franchise enabled it to raise funds during the fastest rise in market interest rates we have seen in over 14 years. The Bank continues to diversify its funding base, broadening its distribution channels and focusing on digital transformation to enable efficient access to attractive market segments and improve customer experience.

Our financial performance was coupled with excellent customer and employee satisfaction scores reflecting the Bank's reputation, as it made further improvements to propositions, achieving a 4.2 out of 5 Trustpilot score and an employee response rate of 87% and an engagement rate of 81%.

Growth

All of our lending businesses experienced strong growth during the year. The Property businesses benefited from a robust property market for most of 2022, with growth driven by a combination of good origination levels, loan repayment activity returning to more normalised levels post Covid-19 and the utilisation of the Government support Recovery Loan Scheme ("RLS"). During the year we supported this growth through digital platform investment to accelerate underwriting, expanded our distribution and undertook initiatives to increase repeat business.

In Mortgages we saw high demand for our first charge products, achieving origination volumes close to those of our more established second charge offering. Second charge mortgage originations were helped by growth in this specific market. In the year the Bank also launched a new suite of products into the Buy-to-Let ("BTL") sector which was well received. The mortgage market remains a growth opportunity for the Bank.

The Asset Finance business saw a particularly buoyant market in the first half of 2022, completing record levels of new business. We also invested in a new core Asset Finance platform, going live in January 2023. This provides us with a solid platform for further growth in this area, enhances the customer and broker experience and significantly improves efficiency, having automated many elements of our processes.

We continue to invest in digital technologies across the Bank to support growth by improving customer experience, extending our data capabilities, increasing scalability and productivity.

Risks and Uncertainties

At the beginning of 2022, the external environment was expected to normalise as the impact of the Covid-19 pandemic began to subside. Russia's invasion of Ukraine in February led to a new inflationary driver, which prompted a cost of living squeeze and an increased risk of recession. In response to the economic environment, the Bank of England increased Base Rate through the year from 0.25% at the start of the year to 3.50% in December. This rise in interest rates is certain to have an impact on UK borrowers, many of whom may be tightening budgets as a result of cost inflation, and in the case of businesses, material and labour shortages. To date this has not caused a significant impact on our customer's credit performance but we continue to monitor this closely.

Commitment to a Sustainable Future

We have an important role to play in helping our people and the Bank transition to a lower carbon economy and I am pleased with the progress we have made in developing our climate strategy. More information can be seen on pages 19 to 25. We have continued to celebrate diversity and inclusion and are fully committed to an inclusive culture where all of our people can feel welcome and proud to work for us. During the year our people have together raised tens of thousands of pounds to support the Bank's chosen charity of the year, De Paul, who work to prevent and relieve the impact of homelessness. The Bank also partnered with World Vision's Ukraine Humanitarian Appeal, to support children of the Ukraine as well as Food Bank Aid to help provide food to those becoming increasingly dependent on food banks.

Our Customers

Customer focus is one of our core values which is embedded in our culture and is a key element of our continued success. As examples of the Bank's digital transformation strategy and focus on improving customer experience, during the year the Bank deployed a series of enhancements to online banking, joined the Confirmation of Payee scheme and made progress in replacing paper correspondence with electronic digital alternatives. These changes will give it the speed and flexibility to maximise its growth opportunities, further improving its ability to adapt to external trends and changing customer needs. Another key area of focus has been the FCA's Consumer Duty regime. The Bank's implementation plan is underway and this will continue into 2023. In the meantime, the Bank has been focused on tailoring its approach to supporting customers.

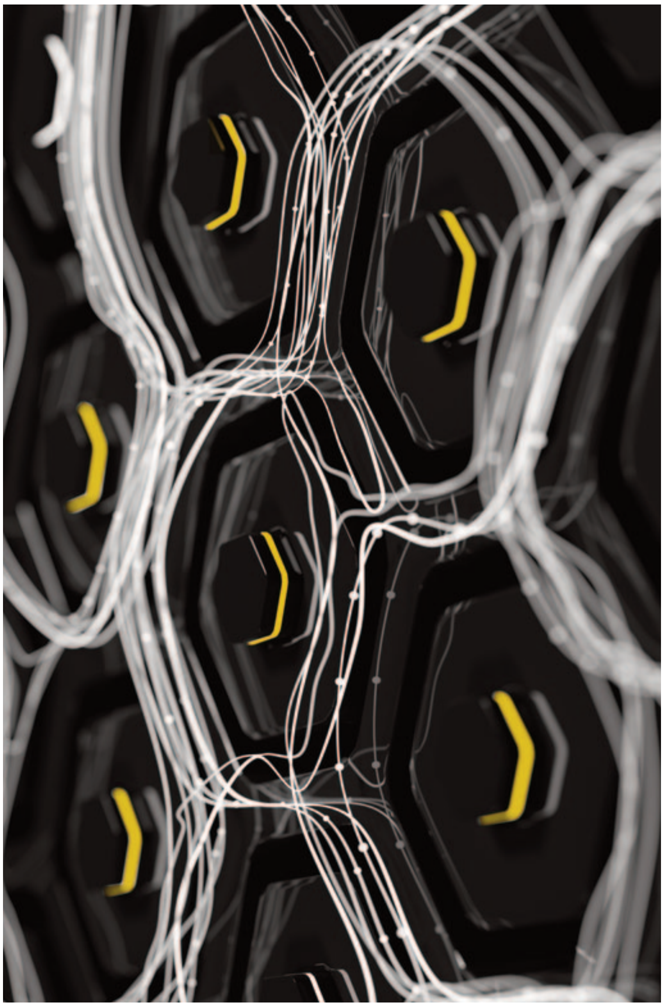
Our People

It is the expertise of our people and a relentless focus on delivering excellent customer service that continues to be the foundation of our business model. This was reflected by the 21 awards won across all of our sectors, including nine individual awards for our people. Our people have also demonstrated their professionalism and adaptability in adjusting to the hybrid working model which we implemented post pandemic. It is a privilege to work with such a talented team and I would like to thank everyone for their outstanding commitment and hard work during the last year. The Bank remains nimble and flexible in its response to the external market conditions and continues to pay particular focus to the wellbeing of all of its people.

Outlook

We intend to maintain our growth strategy, leveraging our specialist lending skills and experience, and making the most of the opportunities that present themselves.

More information is provided on these topics throughout the rest of the Strategic Report on pages 8 to 29.



BUSINESS MODEL

Principal activities and business model

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

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

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

The following sections detail the core aspects of the Bank's business model, purpose, visions, culture and strategic priorities.

PURPOSE

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

VISION

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

CULTURE

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

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

We are guided by our core values:

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

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

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

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

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

Strategic Priorities

STRATEGIC PRIORITIES

The Bank's strategic priorities capture the key strengths of our business model. They support us as we continue to build a strong specialist banking franchise through progressive growth in loan originations. They ensure that we focus on ways to protect, grow and sustain the business model and enable us to deliver strong risk adjusted returns and excellent results for all our stakeholders. They also ensure the Bank is following a disciplined approach to growth and preserving the key attributes that generate value for our shareholders, reflected in our strong ROE of 21.7% achieved in 2022 (2021 20.2%).

OUR PEOPLE

Recruit, develop and retain the best people and ensure they flourish

BRAND REPUTATION

Build a brand and culture that we are proud of

PROGRESSIVE GROWTH

Build a strong niche specialist banking franchise by progressive growth in originations

CUSTOMER FOCUS

Improve customer experience and good outcomes through strong relationships

CREDIT QUALITY

Maintain excellent credit quality and our conservative foundations

DIGITAL STRATEGY

Build a scalable user-friendly technology platform that enables growth

DIVERSIFIED FUNDING

Enhance the way the Bank is funded to meet the changing shape of our Balance Sheet

Priority Achievements

OUR PEOPLE

81%
engagement rate

BRAND REPUTATION

21
awards won across all sectors

PROGRESSIVE GROWTH

29%
year on year growth in our lending originations

CUSTOMER FOCUS

Entered new market segments to serve a greater range of customers

CREDIT QUALITY

72%
reduction in provision for impairments

DIGITAL STRATEGY

Embedding Hybrid Working with our technology rollout

DIVERSIFIED FUNDING

Increased focus on diversification of funding sources

Our People

- UTB staff attrition rate of 13.2% against a Finance industry average of 18.6%.
- We hired 51 new members of staff representing a 17% growth in our skilled team.
- We supported 37 of our people in external professional qualifications including ACCA, Chartered Banking, Project Management and CeMAP Mortgage Advisor Qualifications.
- We ran our new 2022 full Employee Engagement Survey to get insight from across the business and achieved a response rate of 87% and an engagement rate of 81%.
- Increased female Board membership to 27%.

Brand Reputation

- We won 21 awards across all of our sectors including nine individual awards for our people; from young rising stars to senior leadership and supported a diverse pool of entrants from across the Bank.
- As we continue to make changes to reduce the Bank's impact on carbon emissions, we have invested in carbon credits to achieve carbon neutrality in 2022.
- Through our continued customer focus we achieved a 4.2 out of 5 Trustpilot score.
- Culture: embedding our 5 cornerstone company values, empowering our people to deliver against them.

Progressive growth

- Grown our lending originations by 29% and our loan Book by 34% year on year whilst retaining profitability and a sector leading ROE of 21.7%.
- Maintained a stable net interest margin of 5.04% and reduced our cost to income ratio to 46.0% through careful cost management.
- In line with our strategic plans, entered two specialist lending markets: Buy-To-Let Mortgages and Stocking Asset Finance.

Customer Focus

- We have increased the number of Deposit Accounts to 43,000 in 2022, an increase of 23%.
- We now have 70% of our Deposits customers registered for online banking; offering them an enhanced customer experience and enabling them to interact in the ways that they want when they want.
- We have increased the number of lending customers to 20,500 in 2022, an increase of 21%.
- Entered new market segments to serve a greater range of customers and support our considered growth strategy.

Credit Quality

- We reduced our provision for impairments from £6.5m to £1.8m equating to a cost of risk ratio of 9bp.
- Notwithstanding the macroeconomic headwinds that emerged during 2022, credit quality remains strong with tail risk low at 1.8% and a Non Performing Loans ("NPL") ratio of 1.7%, which provides a solid base against an expected weakening in the credit environment through 2023.
- Created new underwriting systems deploying technology solutions to improve risk assessment and empowering our underwriters with risk based delegated authorities.

Digital Strategy

- Embedding Hybrid Working with our technology rollout of new equipment and platforms to all staff, to drive towards secure, stable and seamless access to our systems from home and the office.
- Successfully launched our Buy-To-Let offering on our Mortgage underwriting platform and enabled fast response to volatile market conditions with improved and responsive data analytics.
- Support delivery of our Target Operating Model for Technology and Change to deliver the change programme in a controlled manner and support our increased digital capabilities.

Diversified Funding

- Increased focus on diversification of funding sources and products whilst broadening our distribution strategy and controlling cost of funds.
- Focus on digital transformation to enable efficient access to attractive market segments and improve customer experience.
- Introduced interest rate swaps allowing for additional flexibility in funding tenor mix.

FINANCIAL OVERVIEW

Review of results

The Bank's operating profit before impairment charges increased 22% to £61.9m (2021: £50.9m), reflecting strong loan book growth, a stable net interest margin and careful cost management. The net interest margin of 5.04% was consistent with the prior year (2021: 5.01%) reflecting pricing discipline despite of the increased cost of funds. As a result, operating income increased by 20% to £114.6m (2021: £95.1m).

Operating expenses before provisions increased by 19.1% to £52.7m, reflecting ongoing investment in our digital strategy, product development and additional high calibre employees. The cost income ratio decreased to 46.0% in 2022 (2021: 46.5%). The cost of risk (being the provision for impairment losses divided by the average loan balance over the year) at 9bps was lower than 2021 (38bps) following further resolution of some historical recovery cases and UTB's ongoing careful credit management.

Total assets increased 24% over the year to £2.80bn (2021: £2.25bn) driven by new business volumes across all of our lending portfolios. The higher levels of repayments witnessed in the Property portfolio in 2021 returned to more normal levels in the year following the end of the Covid-19 stamp duty holiday. Total liabilities were up 24% to £2.56bn (2021: £2.06bn) mainly due to an increase in customer deposits to fund loan book growth.

Total capital and reserves increased by 22% to £239m (2021: £196m), reflecting the retained profit in the year. Return on average equity increased to 21.7% (2021: 20.2%). This reflects the solid performance in an uncertain economic environment.

Treasury and Funding

Total customer deposit balances increased by 29% to £2.21bn (2021: £1.72bn) across 43,000 accounts. The majority of our deposits balances are raised through the retail saving market, but we are also active in the ISA, SME, and charity markets and raise some balances through deposit aggregator platforms. The FSCS scheme covers over 84% of aggregate deposit balances.

The Bank's liquidity reserves, including its liquidity buffer, are held at the Bank of England ("BoE"), while operational balances are held with UK clearing banks. In June 2022 the Board approved the use of interest rate swaps as an interest rate management tool.

Regulation

The Bank's Common Equity Tier 1 ("CET1") ratio was 12.0% (2021: 12.7%) at the end of the year, and its Total Capital Ratio was 14.6% (2021: 16.2%), comfortably exceeding the Bank's Total Capital Requirement ("TCR") (excluding regulatory buffers) of 9.00% (2021: 9.00%).

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

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 42 to 51.

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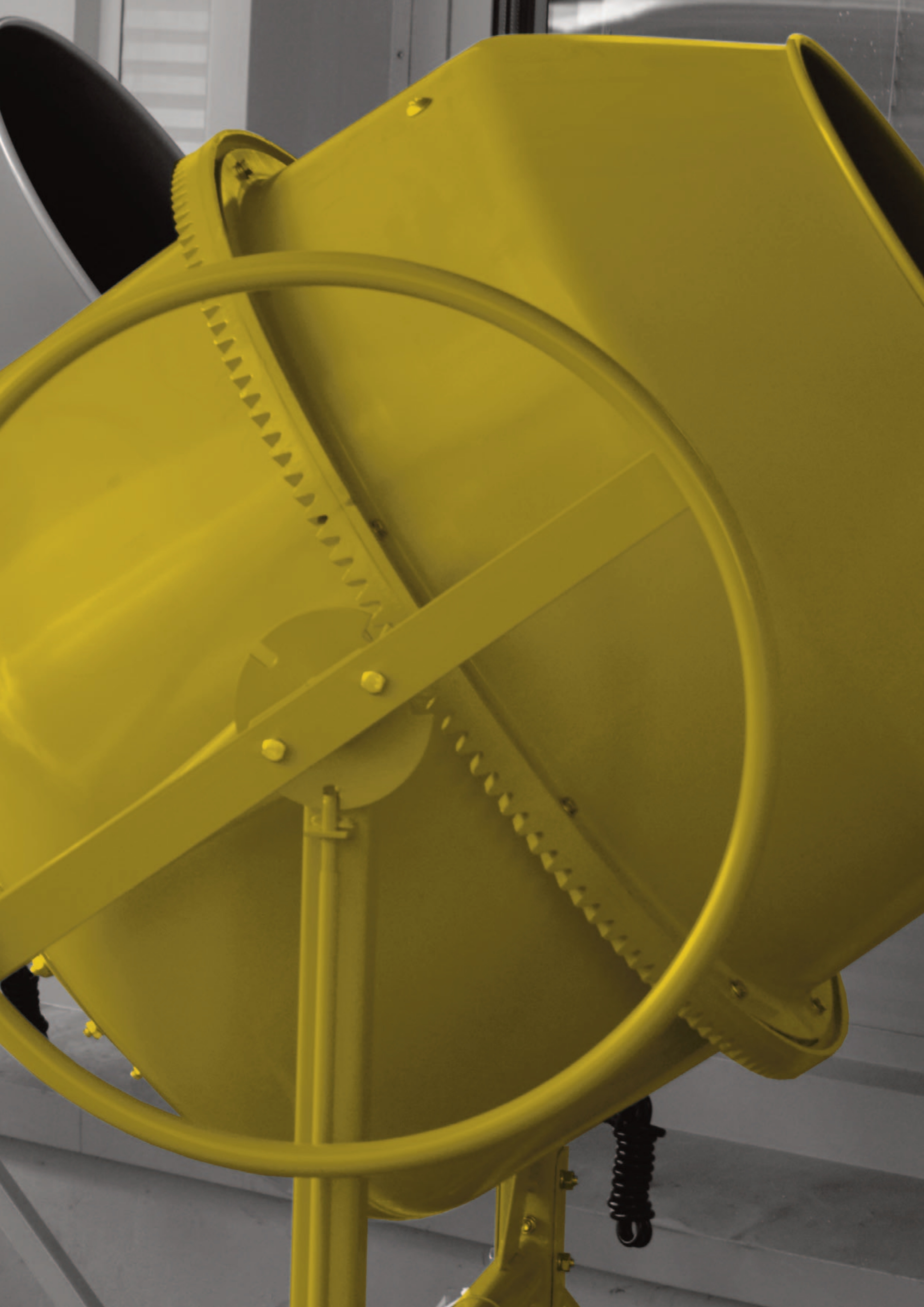
UTB'S OUTSTANDING PERFORMANCE IN 2022 DEMONSTRATES THE HALLMARK OF A RESILIENT AND ROBUST BUSINESS AND ITS ABILITY TO THRIVE UNDER CHANGING CIRCUMSTANCES.



SECTION 172

Matters considered when promoting the success of the Bank

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

UTB is a successful and profitable business, whose achievements are driven by a focus on core values, a clear strategy, careful hiring and efforts to consider our stakeholders' interests throughout our decision making processes. On pages 16 to 17 we have detailed our key stakeholders, their importance to our business and how we have considered and 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.

We recognise and promote the importance of respectful business relationships with our stakeholders across all of our business lines and are committed to engaging with them. Our strategy is focused on the long term, to operate and grow sustainable businesses in segments of the market under-served by the large banks; to ensure we maintain long-term relationships and add long lasting value to the wider community in which we operate. 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 and consider the community and environment. The decisions we make consider the regulatory context and the full range of stakeholders detailed on pages 16 to 17.

The Board has regular engagement with all of its stakeholders, both directly and indirectly. The directors are aware of and have effective regard to the matters set out in Section 172. The Board acknowledges that it may have to take decisions that affect one or more stakeholder groups differently but it seeks to treat any groups which are impacted fairly.

Detail on the Board's key activities in the year, can be found on page 34 of the Corporate Governance Report.

STAKEHOLDERS

Employees

The Bank had 359 employees as at 31 December 2022. We are lucky to have a highly effective workforce in whom we can place a great deal of faith. We have a diverse and motivated employee team which delivers the highest levels of service to our customers, clients and partners. We are committed to the development of our employees, ensuring they are supported and engaged.

Stakeholder engagement

The directors understand the importance of regular engagement with our employees to ensure the Bank attracts, builds and retains a diverse and high calibre talent pool and maintains high levels of employee motivation for their work for the Bank. Some examples of employee engagement include:

- Employee engagement survey: We ran our new 2022 full Employee Engagement Survey to get insight from across the business and achieved a response rate of 87% and an engagement rate of 81%. The results allow us to analyse what is working well and to identify areas needing improvement to ensure our people remain committed to the success of the Bank.

- Regular engagement: The Bank ensures engagement with our employees takes place through line managers, the appraisal process, with senior management-led Town Hall meetings and other business forums.

- Training and mentoring programmes: These are in place to support the development of all employees.

Key decisions

- Hybrid working: After two years of flexible working during the pandemic, the Bank has implemented a hybrid working scheme, which encourages dynamic and collaborative engagement and supports and develops our colleagues to deliver excellence. We also offer flexible working which allows the Bank to attract a broader range of staff, supporting its diversity and inclusion agenda.

- Women in Banking and Finance Association: During the year, in line with its aim to improve diversity and inclusion, the Bank joined the Women in Banking and Finance Association ("WIBF"). WIBF is a not-for-profit membership association which is aimed at increasing the representation of female leaders in the banking and finance sector.

- Financial support: The Bank is aware that the current economic climate may be having an impact on our employees, particularly driven by the rise in inflation and interest rates. During the year the Bank provided cost of living payments to most staff and offered financial coaching to all staff.

- Training and development: We have continued to focus on training and development programmes for employees to help them reach their full potential.

Customers, clients and partners

Customers, clients and partners are at the heart of our business. Our strategy, purpose and values are customer focused and demonstrated through our continuous interaction via regular meetings and customer feedback programmes. We seek to deliver a responsive service with quick and flexible solutions to responsibly address customer needs by investing in people and technology and continually adapting to our customers' needs.

Stakeholder engagement

The Bank has customers, clients and partners across the UK. Our long-term success depends on the strength of our relationships with these groups, our specialist expertise and maintaining high standards of service. Some examples of engagement includes:

- End-to-end journey: We engage with our customers, clients and partners throughout their end-to-end journey with the Bank and actively seek their feedback. We use this feedback to evolve our proposition and offering as we adapt to their changing needs.

- Customer satisfaction measures: Throughout the year the Directors have regularly reviewed, discussed and challenged the Bank's support for its customers, particularly through the review of customer satisfaction metrics, including Trustpilot, and support for vulnerable customers. The Bank achieved an 81% employee engagement rate and a 4.2 out of 5 Trustpilot score.

Key decisions

- Consumer duty implementation: The Bank is in the process of preparing for the implementation for the FCA's new Consumer Duty regime, which was published in July 2022 and will come into effect from July 2023. In the meantime, the Bank has been focused on tailoring its approach to supporting customers to drive good customer outcomes, with no appetite for poor customer outcome.

- Digital transformation: During the year, the Bank deployed a series of enhancements to online banking, accelerated the broker journey, joined the Confirmation of Payee scheme and made progress in replacing paper correspondence with electronic alternatives.

- Buy-to-let: In the year the Bank launched a new suite of products into the BTL sector as an extension of the Consumer portfolio, which comes as the Bank continues to develop its Mortgages for Intermediaries proposition.

- Diversified funding: The Bank has begun to broaden its funding strategy. During the year it expanded the range of deposit products offered to customers, enhanced its interest rate risk management through the use of interest rate swaps (an enabler for a broader range of funding and product types), and recruited experienced staff to focus on additional customer segments of the deposits market in the coming years.

Regulators

It is within the Bank's culture to promote high standards of compliance and conduct within the Bank and with external parties. In particular, as directors of a regulated bank which holds customer deposits, safety, soundness and adherence to all relevant aspects of regulation is key to the Bank's business model.

Stakeholder engagement

The Bank maintains a proactive dialogue with the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") and has a constructive relationship with HMRC to help ensure we are aligned with the relevant regulatory frameworks:

- Regulatory engagement: The directors and staff maintain awareness of current and future regulation through engagement with regulators, industry bodies and specialist advisors, via regulatory seminars, online forums and round table events. This has enabled the Bank to stay on top of increasing regulatory requirements and ensure we operate to the standard required.

Key decisions

- FCA consumer duty: As mentioned above the Bank recognises the importance of the forthcoming FCA Consumer Duty regime and has prioritised the planning and implementation of this in 2023.

- Basel 3.1: The Bank is actively engaged with the PRA and trade bodies regarding the consultation on the implementation of Basel 3.1 in the UK.

Communities and environment

The Bank is committed to contributing lasting value and making a positive impact on the communities in which it operates and the environment more broadly. This underpins the growing range of initiatives we support that benefit our communities and the environment. More information on climate change can be seen on pages 19 to 25.

Stakeholder engagement

Engaging with local communities helps the Board and our employees develop our understanding of what needs to be done to achieve a more sustainable future. Some examples of community and environment engagement includes:

- Charity work: In the year the Bank has continued engagement with its charity of choice and raised tens of thousands of pounds to support them. The Bank also partnered with World Vision's Ukraine Humanitarian Appeal, to support children of the Ukraine as well as Food Bank Aid to help provide food to those becoming increasingly dependent on food banks.

Key decisions

- Climate Change Strategy: In the year the Bank decided to purchase carbon offset to make the Bank carbon neutral. Although a positive step in the right direction, the Bank recognises that work still needs to be done in the future to help tackle the effects of climate change and the Bank is currently working on a detailed roadmap towards achieving its climate change goals in line with TFCD requirements.

SUSTAINABILITY REPORT

The Bank's responsibilities include helping address the environmental, social and governance challenges facing our business, employees and customers. UTB considers this a key part of the Bank's business model which helps drive success over the longer term. It encourages the Board to consider how the business operates more broadly to achieve good outcomes for all of its stakeholders. Behaving responsibly is integral to the Bank's actions and decision-making process and this is reflected across our sustainability goals that we set ourselves, as set out below:

Sustainability Pillars

Our Priorities	Our Mission	Our Goals	Progress
Environment	Reducing our impact on the environment and tackling climate change	Contribute to a net zero carbon economy by 2050	Purchased carbon offset in 2022 to achieve carbon neutral
Social	Recruit, retain and develop the best people, whilst promoting financial inclusion for borrowing and ensuring our customers' needs are met	Ensuring inclusion, diversity and equality is considered when hiring and promoting our people, while maintaining strong employee engagement and customer satisfaction	87% response rate in our people engagement survey in 2022 Achieved a 4.2 out of 5 Trustpilot score
Governance	Maintain high standards of governance, with appropriate board level oversight	Ensuring high standards of corporate governance to ethically and transparently achieve long-term success for stakeholder	2022 increased female Board membership to 27%

Environment

The Bank recognises the importance of addressing the threat of climate change. This section of the sustainability report highlights the Bank's progress towards addressing climate-related risks, as well as areas of future focus, with regard to the integration of climate risk into our governance, strategy and risk management framework. The Bank takes its responsibility towards the environment seriously and is committed to meeting the goals of the Paris Agreement to achieve net zero by 2050.

Energy and Carbon Reporting – The Bank reports on energy and carbon emissions to meet the requirements of the Streamlined Energy and Carbon Reporting ("SECR") standards and to improve the information available to our stakeholders. The Bank's emissions for 2022 are shown below, as defined by the international Green House Gas ("GHG") Protocol.

In the year the Bank achieved its first action to stabilise its CO2 emissions, reducing its intensity ratio (tonnes of CO2e per employee) to 0.79 (2021: 0.97) despite the growth in business. As a predominantly office based business, the bulk of our emissions are Scope 2 indirect, mainly electricity used to run the office and computing resources. Efforts to reduce emissions were supported by strategic initiatives which are detailed in the environment strategy section of this report. The Bank's future objective is to continue to reduce emissions as part of its detailed road map for climate change.

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 2,885 kilowatt hour (kWh) and 0 emissions (tCO2e).
- Scope 2, Indirect emissions – These are GHG emissions which are a consequence of our activity, but arise from sources we do not own or directly control. Indirect emissions include electricity and gas consumption1 and are our highest source of GHG emissions. See details in the tables below.
- Scope 3, Other – These are emissions that are a consequence of the Bank's actions but are from sources which the Bank does not own or control and that are not included within Scope 2. Scope 3 would include, for example, emissions from business travel by a limited number of staff who use their own vehicles for broker and customer visits and from employees working from home. Calculating the volume of these emissions requires knowledge of the emissions of each employee's vehicle, which we do not have records of, so we have calculated the emissions shown below based on average mileage claims submitted by employees.

	Year Ended 31 December 2022	Year Ended 31 December 2021
Breakdown of UK energy consumption used to calculate emissions (kWh):		
Company owned or controlled vehicles	**2,885**	2,684
Electricity	**316,103**	295,848
Heat, steam and cooling[1]	**757,495**	785,100
Employee owned vehicles where the Bank pays for the fuel	**35,936**	25,046
Total gross energy consumed	**1,112,419**	1,108,687

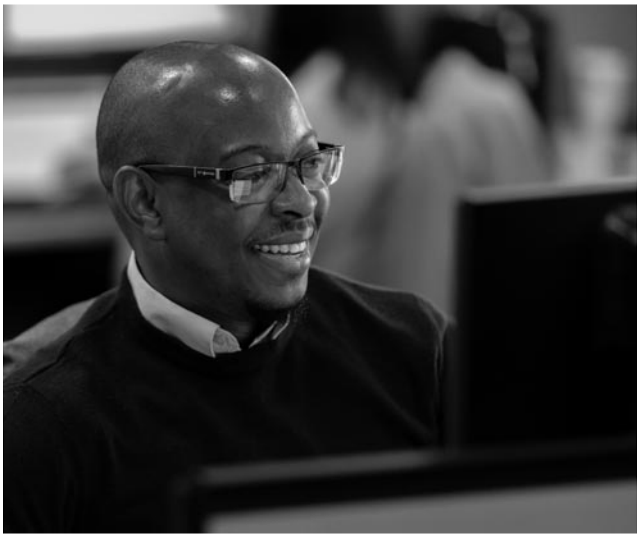
[1] Includes heat provided by natural gas-fired plant not under the Bank's direct operational control (as a result of occupying multi-tenanted buildings where heating is part of the service costs). For the purposes of SECR this consumption is treated as a Scope 2 emission.

	Year Ended 31 December 2022	Year Ended 31 December 2021
Breakdown of UK emissions associated with the reported energy use (tCO_2e):		
Scope 1		
Company owned or controlled vehicles	**-**	-
Total Scope 1	**-**	-
Scope 2		
Electricity	**61,128**	62,817
Heat, steam and cooling	**157,523**	171,129
Total Scope 2	**218,651**	233,946
Scope 3		
Employee owned vehicles where the Bank pays for the fuel	**40,004**	31,337
Total Scope 3	**40,004**	31,337
Total gross emissions	**258,655**	265,283
Intensity ratio		
Tonnes of CO_2e per employee	**0.79**	0.97

Environment: Governance

To date UTB has made good progress embedding climate change risk into the Bank's operations, ensuring that climate change is part of all relevant decision making processes. To further enhance these efforts, the Bank is currently building a detailed roadmap to capture, report upon and address the carbon emissions arising from customer activities it finances. This roadmap will be initiated and implemented in 2023 and progressed in future years. A roadmap is important to establish targets and metrics.

The timeline below summarises the progress made since 2020 when the Task Force on Climate Related Financial Disclosure ("TCFD") published their climate change requirements. These requirements are currently not mandatory. Where the Bank is not yet fully compliant with these disclosures it aims to be compliant in future years. Additionally, the timeline also summarises the Bank's future focus, with more information on this summary in following sections of this report.



	Progress Timeline			Future Focus
Governance	Roles and responsibilities and Board training	Interal Audit review	Detailed Roadmap project commenced	Complete, implement and disclose detailed roadmap
Risk Management	Initial Risk Assessment	Scenario Analysis and enhancing risk framework	Data collection project plan commenced	Complete data collection project and embed into risk process
Strategy	Carbon reporting for scope 1 and 2 (3 internal)	Set climate change mission and goals	Purchased carbon offset	Establish monitor and disclose climate change metrics
	2020	**2021**	**2022**	**2023+**

UTB's corporate governance framework for climate change has been subject to external review and ongoing refinement to ensure effective oversight of the Bank's climate change strategy, as well as the embedding of climate change into the Bank's risk management framework. It is important for clear roles and responsibilities to be established to ensure effective oversight of climate-related risks and opportunities. The roles and responsibilities which were initiated in 2020, extend across the Board and executive committees, and the three lines of defence. The main committees responsible for climate change can be seen below:

Climate Change Committee - At an executive level, climate change is overseen by four senior executives of the Bank, who are responsible for the day-to-day oversight of climate change strategy and its integration with the key areas of focus: risk management, scenario analysis, innovation, and disclosures. The climate committee is supported by four sub-committee working groups covering these key topics and are chaired by one member of the climate change committee.

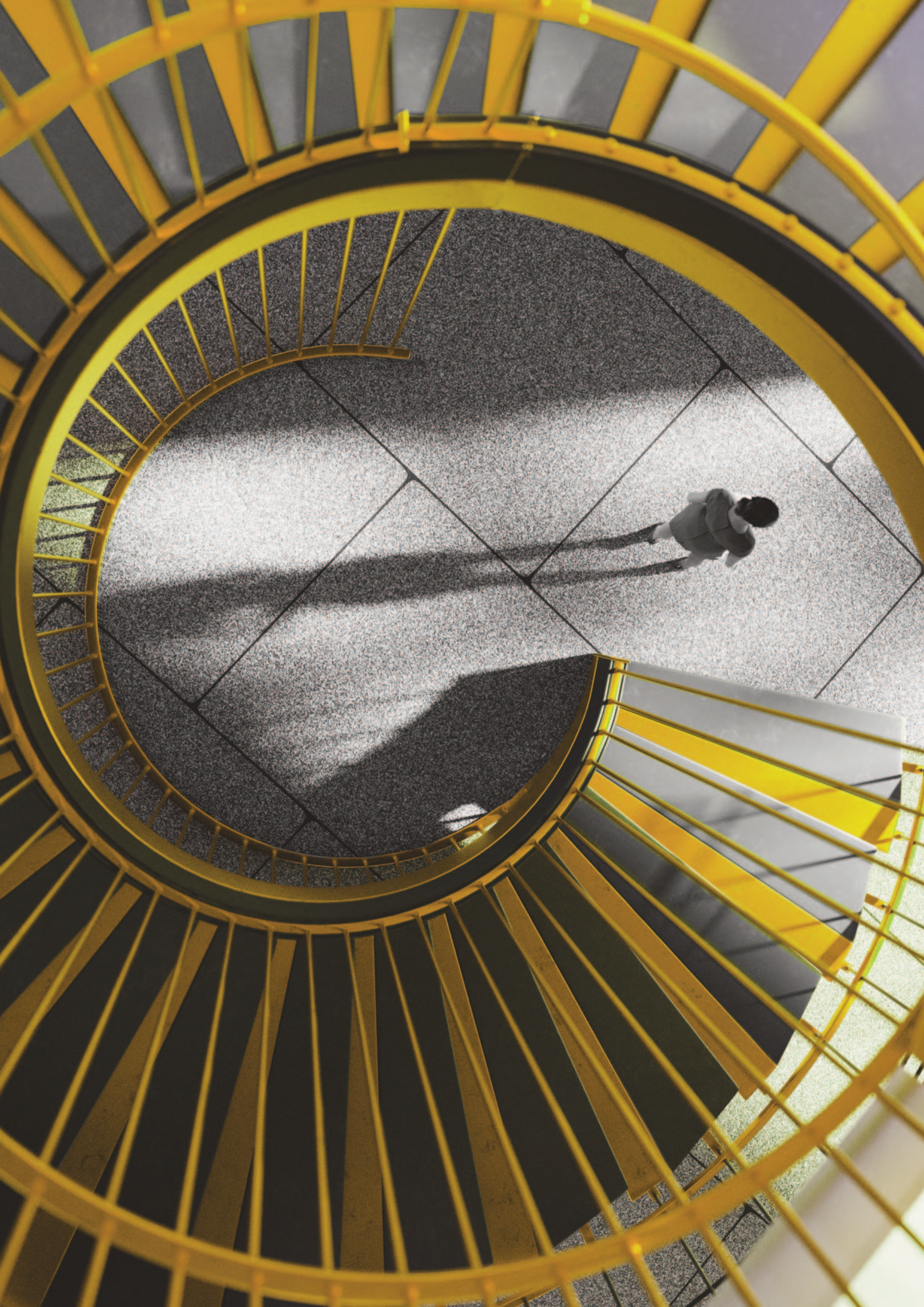
Although climate change responsibilities are delegated to the above committees, the Board has ultimate responsibility for Climate Change risk management and the key activities that the Bank has undertaken throughout the year. The Climate Change Committee reports to the Board periodically, setting out the progress made across all the sub-committees, in order to help support the Board's decision-making process and to help educate key stakeholders on the risks and opportunities that climate change presents. These updates have been supported by externally facilitated training sessions, which focused on the complexities associated with climate change. This includes, the evolving regulatory landscape, specific Board and management responsibilities and also best practice trends in the industry.

In 2022 the Board requested management to prepare a detailed roadmap of UTB's plans to achieve the climate change disclosures related to Scope 3 Financing (across our loan book). During this process the Bank engaged with external advisors and industry bodies to help understand the best approach towards achieving this and the data that will need to be captured. The requirements and actions arising from the production of the roadmap will result in the Bank building and enhancing our capabilities for the identification, management, monitoring, scenario modelling and disclosing climate change risks and opportunities. The Board is aware that this is the beginning of a journey with more required to meet TCFD requirements in future years and to embed climate considerations into the Bank's business strategy, customer engagement, and our financial and strategic planning.

Disclosures - The Bank supports enhanced climate disclosure in line with TCFD recommendations which support the aims of market consistency, transparency and stability. The Bank is fully committed to providing transparent disclosures in future years that help its stakeholders understand the progress it is making in managing our climate-related risks and opportunities, and support them in their efforts to do the same. In future years, when the data collection project is complete, the Bank aims to enhance its disclosures and include more advanced and stretch metrics, which are applicable to the Bank.

Environment: Risk Management

The Bank's ongoing work to identify the risks and opportunities climate change poses to our business model remains a key area of strategic focus for the Board and senior management. The Bank is conscious that both emissions generated internally through operations and the



emissions impact of the assets and sectors that we finance can contribute to climate change, and as a financial services provider the Bank recognises the role it plays in supporting the transition to a more sustainable future. This includes supporting our customers, suppliers and employees with their own transition journeys.

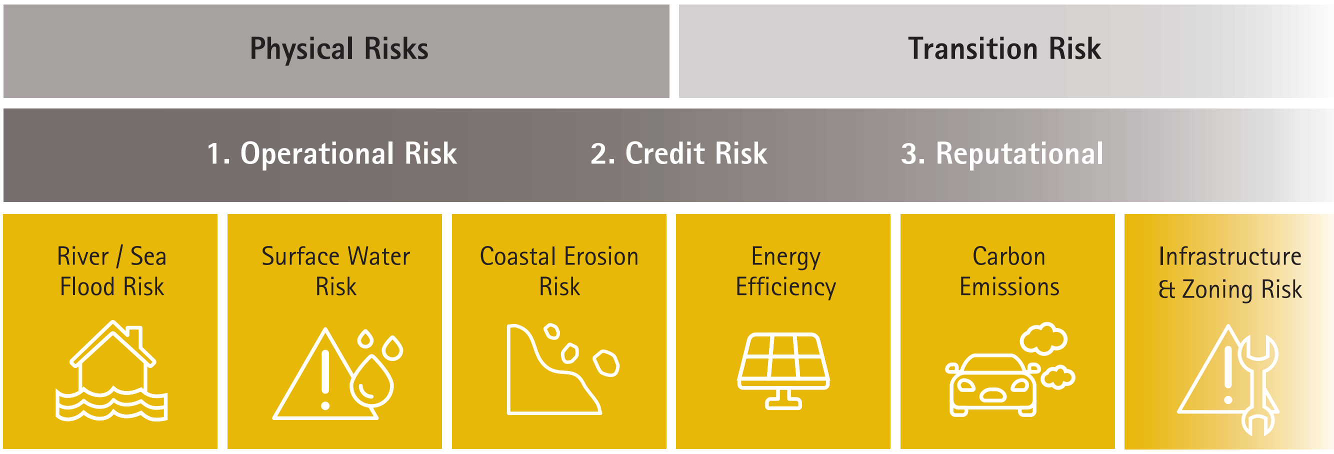
The Bank's efforts to reduce the impact of its operations on the environment continue to progress, where it strives to take action to make a positive contribution to environment. Careful consideration of environmental factors and potential risks now plays an integral role in daily actions. This is done in conjunction with thoughtful evaluation of where opportunities may arise for the Bank to make a meaningful difference through its business decisions.

In 2021 the PRA's and FCA's Climate Financial Risk Forum ("CFRF") Risk Management Working Group published a list of risk categories for banks to consider. The most material risk categories identified and applicable are credit risk, operational risk and reputational risk. In assessing climate-related risks and opportunities, there are two primary streams from which impacts occur, physical and transitional risks.

Physical Risks - The first stream covers physical risks, arising from different factors including specific weather events such as heatwaves, floods, wildfires and storms as well as long term shifts in climate including extreme weather and sea level rises. These could result in physical damage to or impairment of the Bank's assets or assets used by our customers as security, and could otherwise impact the creditworthiness of our customers.

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

Climate Change Risk



> THOUGHTFUL EVALUATION OF WHERE OPPORTUNITIES MAY ARISE FOR THE BANK TO MAKE A MEANINGFUL DIFFERENCE

Credit Risk - Credit risk is considered the Bank's most material risk and the CFRF expects banks to start building data sets with a long-term goal of quantifying climate change risk. In the year the Bank's Climate Change Committees have considered and reviewed data collection and will be progressing its data collection project in 2023. To date each loan portfolio has been assessed to identify the relevant data that the Bank has stored already and what data will need to be collected. In preparing our disclosures, we have sought to provide sufficient granularity, proportionate to the materiality of the climate risks identified across the Bank.

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

Loan Book Analysis - While the Bank is exposed to potential credit risk mentioned above, we consider any climate impact in the short to medium term to be substantially mitigated. This is largely due to the Bank's geographic location, where 100% of the loan portfolio is based in Great Britain, reducing the climate-related risk profile. Nonetheless, analysis is undertaken to assess the potential flood and coastal erosion risk associated with each property finance deal and none of the properties in the Bank's loan portfolio are in locations with very high or high climate risk sensitivity.

Scenario Analysis - UTB undertook scenario analysis in order to enhance the Bank's ability to identify climate-related risks and opportunities, and assess the resilience of the Bank's business model. For the highest risk scenario, quantitative analysis was undertaken, where the outcome from sudden regulatory changes (i.e. transition risk) had low financial impact and would be comfortably accommodated. Given data and modelling limitations the Bank and most of the financial services industry is facing, the remaining analysis was a broadly qualitative approach. Assumptions were primarily driven by regulatory, professional and industry guidance, combined with internal expert judgement based on knowledge of the Bank's portfolios. Modelling was underpinned by industry data inputs and projections, and emerging trends for key sectors. This modelling confirmed that due to the short-dated tenor of our lending portfolio, climate risk is not deemed to pose a significant financial risk to UTB in the short to medium term.

In 2022, the Bank reviewed its climate change scenario modelling and concluded that the modelling undertaken in the previous year and conclusions drawn from it remain appropriate. UTB consequently did not update its scenario analysis as the impact would not materially change over a one year time horizon and the scenarios have not changed over the last year. The Bank will continue to review the appropriateness of our scenario modelling in future years.

Long Term Risks Summarised - Over the longer term the Bank has identified increased climate-related risks, particularly transitional risks, which have been summarised below:

Regulation and Policy changes – As the Government and businesses attempt to accelerate the transition to a low-carbon economy, this may cause a rapid adoption of policy and regulatory intervention, which in turn will create transition risk for both the Bank and its customers. There is also a risk of a strategic failure to deliver in line with the Bank's climate change roadmap.

Increased Global warming – This may lead to extreme changes in weather patterns, which in turn could increase the frequency and severity of incidents resulting in physical risk exposure in relation to those assets financed by the Bank. There may also be a direct impact upon the Bank if the weather disrupts the ability to travel or disrupts the supply chain or energy supply.

Transition to low-carbon economy – The Bank may also experience a direct impact from its transition to a low-carbon economy, which may include increase in costs in order to meet the key targets, including data collection and external advice.

UTB will continue to assess the likelihood and impact of climate change risks upon its business and strategy and will use targeted measures within the risk management framework to monitor climate change risk and take appropriate action to protect its business and franchise.

Environment: Strategy

UTB recognises that is has both a direct and indirect impact on the environment through its operations. To understand the potential impacts better, the Bank is working on formulating a detailed roadmap

which will include the steps needed to take to reduce its impact on the environment, both directly and indirectly. Understanding the indirect impact the Bank is having on the environment is more challenging and requires further data collection on its lending portfolio. The data collection project, which will commence in 2023, will enable a deeper understanding of the steps it can take to reduce its impact on the environment.

The Bank continues to focus on initiatives within its direct control to decrease its direct operational footprint, with these initiatives aimed at lowering our emissions, reducing our energy use and enhancing our energy efficiency. The Bank recognises that achieving carbon neutrality for some of its emissions is going to be difficult, as it operates from a multi-tenant building which it does not control; has staff hybrid working arrangements where staff work from home; and has a need to physically monitor progress on its customers' development projects, which are spread across the UK. In recognition of these limitations, the Bank has pursued the following actions and initiatives:

- Carbon Offset - In the year the Bank has obtained independent verification by Carbon Neutral Britain of its Scope 1 and 2 and non-lending Scope 3 GHG carbon emissions and purchased carbon offsets through United Nations approved environment schemes to achieve net zero.

- External Communications - The Bank has significantly reduced the volume of printed material it distributes to customers and the market by moving to digital communications and using sustainable materials. This has contributed to an overall reduction in printing and postage costs of £75k since 2021. This work continues.

- Office Alterations - Post Covid-19 restrictions 85% of staff are now in the office for at least 2 days per week, which has increased the direct consumption of electricity in the office and the emissions from staff commuting, compared to when staff were predominantly working from home. We have replaced all lighting on the floor with low voltage lighting with activity sensors to reduce electricity usage.

- Cloud Based Solutions - The Bank's on premises servers use a significant amount of electricity. The Bank already uses a number of cloud-based systems and has a strategy to migrate more systems into the cloud, noting that cloud hosting solutions tend to have lower energy consumption for the same computing power.

- Electric Cars - A new initiative commenced in January 2022 to allow staff to lease electric and hybrid cars through an HMRC approved salary sacrifice scheme. The only direct scope vehicles owned by the Bank are two cars, both of which are fully electric to reduce direct emissions.

- Suppliers - In 2022 the Bank has asked new suppliers to disclose their plans to reduce their carbon footprint. This allows the Bank to analyse each supplier and in time, where we are able to, to choose those suppliers more aligned with our climate change goals.

- Staff Education - The Bank continues to broaden its message to staff about climate change, why it is relevant to the Bank and most importantly how we can reduce the impact we are having on the environment; as a Bank and on an individual basis. Regular articles on climate change are published on the Bank's intranet. Additionally a working group was formed, which is open to all staff members, to encourage staff involvement in climate change activities and how the Bank can reduce our carbon footprint. A number of events were completed in the year, including a bank-wide climate change awareness month.

- Recycling - The Bank has continued to minimise the use of single use plastics. Staff members have been provided with their own reusable glass water bottles and glasses are provided in the office to reduce the use of single use plastics. The Bank continues to encourage all staff to recycle waste both in our London office and when working from home. We urge all employees to minimise unnecessary printing and consumption and to continue to promote the use of recycled and sustainable materials wherever possible.

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

Social

Valuing Our People

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

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

New staff joined most areas of the Bank during the year, including senior management, operations and control functions, helping to ensure a balanced control culture is maintained as the Bank grows. The Bank is an equal opportunities employer and employs staff from a diverse range of backgrounds. Pay is set and benchmarked to be in line with the market and a comprehensive package of benefits is offered, including a contributory pension scheme, private healthcare, life and disability insurance, wellbeing support and flexible working where this can be accommodated. We support staff development through learning and development programmes and an employee run sports and social committee, which arranges a number of events throughout the year to enhance staff engagement.

Diversity and Inclusion

Diversity and inclusion continues to be an important focus for the Board. The contribution of our employees, their talent and the long-term relationships they build are integral to delivering the highest levels of service to our customers and clients. The Bank is committed to ensuring that all our employees can feel proud to work for UTB, regardless of their gender, age, race, ethnicity, disability, religion or belief, sexual orientation, background or neurodiversity.

The Board is committed to:

- Creating an environment in which individual differences and contributions from all team members are welcomed and valued.

- Creating a working environment that promotes dignity and respect for every employee and provides support to staff when appropriate, for example during the cost of living crisis or through life events.

- Not tolerating any form of intimidation, bullying, or harassment, and disciplining those that breach this policy.

- Ensuring that learning, development and progression opportunities are available to all staff and are based on aptitude and ability.

- Promoting equality in the workplace.

- Encouraging anyone who feels they have been subject to discrimination to raise their concerns so that corrective measures can be applied.

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

- Diversity and Inclusion Training - As part of our commitment to further increase our diversity and nurture our inclusive culture, we have developed a targeted and thorough training programme for all employees across all levels of the Bank. The programme comprises a blend of external experts, online videos, eLearning and Human Resource training and has been received positively. The sessions have been incorporated into the on-boarding programme for new staff.

- Wellbeing - We continue to offer a comprehensive range of workshops and events that help promote the health and wellbeing of our employees. Additionally we offer an Employee Assistance Programme, which provides the Bank's employees and their families with personalised support when it is needed. All employees have access to a 24/7 online GP service and a health portal that includes access to many useful health and wellbeing resources, including specific 4 week plans to help improve health and wellbeing. During the year, we also offered financial support (a cost of living allowance) to most staff and all staff have been offered access to a one to one financial coaching programme, via a third party provider.

- Smart Futures Programme - As part of the Chartered Banker Institute Smart Futures programme in April 2022, UTB supported four young people from low-income backgrounds through an employability programme. The students gained a variety of transferable skills intended to give them a head start in their career. We intend to repeat this programme.

- Gender Pay Gap - In 2022 we published our gender pay gap results for the first time. We have been monitoring our gender statistics over time and are pleased to have seen improvements in our gender pay gap over the last 3 years.

- The Board Diversity - Amongst other things, we also consider diversity within our Board membership where we value different skills, experience, background, race and gender. When filling Board positions, we ensure that we follow a rigorous selection process, as we do for all our recruitment. This is based on closing any identified skills gaps or areas where we anticipate additional expertise would be beneficial to support the Bank's plans, as well as aiming to complement and expand the skills, knowledge and experience of the Board as a whole. In the year, we appointed Alice Altemaire to the Board and with effect from March 2023 she was appointed as Chair of the Audit Committee. Increasing diversity of the Board improves balance and tone from the top.
- Mentoring and Reverse Mentoring Programme - A new 6 month pilot mentoring and reverse mentoring scheme was launched in July 2022. The mentoring scheme enables mentors from across the business to share their technical skills, experience and knowledge to help colleagues progress in their roles and careers. In parallel with this, the reverse mentoring is being piloted between members of the Diversity and Inclusion Committee and members of the Diversity and Inclusion Forum. The reverse mentoring sessions are an effective way to build genuine awareness and learning on both sides. This has been very well received and with the Bank's rapid growth there is now a greater need to develop, enhance and use coaching skills across all areas of the Bank.

- **Women in Banking and Finance Association** - During the year UTB joined the Women in Banking and Finance Association ("WIBF") in support of developing opportunities for women in the banking industry. The WIBF provides members with access to industry thought, insight and education. It also aims to help women from diverse socio-economic backgrounds break into banking and financial service industries and to empower those already in place to reach their full potential. The Bank hopes this membership will contribute to ensuring we attract and keep the diverse talent that will help the Bank to thrive.

- **Equality Data Collection** - During the year the Bank asked employees, on a voluntary basis, to share data on gender, ethnicity, religion/belief, gender, sexual orientation, disability and caring responsibilities. The purpose of collecting this data is to start to build a more detailed understanding of our employee profile, of the progress we are making in building a diverse workforce, covering new joiners, leavers and career progression, and to check for any bias in our people processes.

Charitable Donations

We are committed to having a positive impact on our communities and recognise that employees are often the driving force behind many community and charity activities. The Bank supports a staff-nominated charity, which focuses on social issues, and organises employee events throughout the year to raise awareness. For every £1 that employees raise the Bank will donate the same amount through our Matched Giving Scheme. A particular focus this year was ensuring that the Bank provided support to help towards those affected by the war in the Ukraine. The Bank partnered with the World Vision Ukraine Humanitarian Appeal and, with staff, raised funds to help the children of Ukraine. The Bank also raised money for Food Bank Aid to help provide food to those becoming increasingly dependent on food banks. We have a dedicated committee for charitable and community activities chaired by our Director of Human Resources and supported by employees from across the Bank.

Supporting Our Customers

There have been several factors contributing to the current environment of changing customer needs, including rising inflation and cost of living. The volatility in the economy has created a challenging environment for some customers and we aim to support them where we can. We continue to develop new technology, processes and products to ensure that the Bank maintains its high levels of service and care. To continue supporting our customers we believe in maintaining high standards of service, delivering specialist expertise and building long-lasting relationships. These priorities continue to guide the overall experience that we aim to consistently deliver to our customers whilst also ensuring we continue to adapt as needed to meet their emerging needs in a constantly changing environment.

Industry awards received have continued through 2022, and once again, the efforts of staff have been recognised by winning 21 awards across all of our sectors including nine individual awards for our people:

Business Awards

Property Lender of the Year	The Props Awards 2022
Best Short Term Lender	Mortgage Strategy Awards 2022
Best Secured Loan Provider	Moneyfacts Awards 2022
Commercial Lender of the Year	Specialist Finance Introducer (SFI) Awards 2022
Lender of the Year	Asset Finance Connect Summer Awards 2022
Regulated Bridging Lender of the Year	B&C Awards 2022
Outstanding Bank Owned Lessor	Leasing World Gold Awards 2022
SME Champion	Leasing Life Awards 2022
Best Second Mortgage Lender	Personal Finance Awards 2022
Specialist Lender of the Year	Mortgage Introducer Awards 2022
Best Business Notice Account Provider	2023 Savings Champions Awards
Car Funder of the Year	2022 Asset Finance Solutions Meet the Funder Awards

Individual Awards

Business Leader of the Year	The Leadership Awards 2022
Young Team Leader of the Year	Leasing World Customer Service Excellence Awards 2022
BDM of the Year	Specialist Finance Introducer (SFI) Awards 2022
Outstanding Contribution	B&C Awards 2022
Lender; Head of Sales	British Specialist Lending Awards 2022
Business Leader; Second Charge Lender	British Specialist Lending Awards 2022
Industry Ambassador of the Year	Leasing Life Awards 2022
30 under 30 index	Leasing Foundation 30 under 30
Memorial Bursary	ASTL Benson Hersch Memorial Bursary

Governance

We are committed to acting responsibly across all our activities, and have appropriate governance arrangements in place, including Bank wide policies, to ensure we continue to operate in a socially responsible and compliant manner. More information on this can be found on the Corporate Governance Report on pages 30 to 41.

Harley Kagan
Chief Executive Officer
9 March 2023

30 CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS AND COMMITTEE MEMBERSHIP

RICHARD MURLEY

Chair

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

GRAHAM DAVIN

Deputy Chair

Graham was CEO of United Trust Bank Limited 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 and Chairman of Optalitix, a Insurtech SaaS provider.

HARLEY KAGAN

Chief Executive Officer

Harley Kagan is the Chief Executive Officer of United Trust Bank Limited and a chartered accountant. He has held a number of key UTB roles including Chief Commercial Officer and Chief Financial Officer. 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 Limited, a position he previously held at C. Hoare & Co. and Ecofin. He qualified as a chartered accountant with Price Waterhouse where he specialised in banks and fund managers before becoming an equity analyst at Goldman Sachs. He studied Computer Science at Cambridge University. He is the Chair of UK Finance's Specialist Banks Working Group and a member of their Prudential Reporting and Tax Committee.

MARK STOKES

Executive Director

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

ALICE ALTEMAIRE

(APPOINTED 28 FEBRUARY 2022)

Non-Executive Director

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

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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. She chairs the Home Buying & Selling Technology Group, a government and industry collaboration group. She is a Chartered Fellow with the Chartered Management Institute and holds supporting roles with technology firms including 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 in corporate and transaction banking. Sarah is the Senior Independent Director on the board of National Employment Savings Trust Corporation (NEST), and a NED on the board of Local Pensions Partnership Investments (LPPI). She sits on the Board of Advisors of data.world, a US based technology company. Sarah was formerly a Commissioner on the Civil Service Commission, an independent regulator that oversees appointments to the Civil Service. Sarah holds an MBA from the Wharton School of the University of Pennsylvania and the Financial Times Non-Executive Director Diploma.

STEPHEN LOCKLEY

Non-Executive Director

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

ANDREW WOOSEY

Non-Executive Director

Andrew Woosey is an experienced board member and trustee with significant experience in financial services. He is currently a non-executive director of AIB Group (UK) plc, a Trustee and Committee Chair on the board of the Centre for Economic Policy Research and Chair on the board of Tom's Trust. Andrew is a Senior Advisor and Committee Chair for a number of Bain Capital LLP's portfolio companies. Andrew was previously a partner at Ernst and Young, is a qualified Chartered Accountant and graduated from Cambridge University.

C

AUDIT COMMITTEE · RISK COMMITTEE · MANAGEMENT COMMITTEE · REMUNERATION COMMITTEE · C CHAIR (as at 9 March 2023)

DIRECTORS' REPORT

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

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 December 2022.

Principal activities

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

Directors'

Michael Lewis retired as Non-Executive Director in April 2022 but remains on the Bank's parent company Board as a Non-Executive Director. Alice Altemaire, who was a Non-Executive Director from September 2017 to June 2019, was reappointed as Non-Executive Director on the 28 February 2022. A full list of the directors can be found on pages 30 to 31.

Dividend

No dividend has been declared or paid since year end and up to the date of signing.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are 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. PricewaterhouseCoopers LLP were appointed as the Bank's auditors in April 2022.

Going concern

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

Directors' indemnities

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

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

Future developments

Likely future developments have been covered in the Risk Management Report on pages 42 to 51.

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 financial statements.

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

Events after the date of the Statement of Financial Position

Since the year end the Bank has issued £5.4m of Tier 2 long-term subordinated debt which bears interest at 9.25% payable annually and is callable after 5 years from the issue date with a final redemption date of September 2033. From the point of issuance the long-term subordinated debt is treated as a financial instrument and recognised as a liability in the Statement of Financial Position.

There have been no other 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
9 March 2023

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 regulation.

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 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 the 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 financial statements published 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.

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THE BOARD PROMOTES THE IMPORTANCE OF HIGH STANDARDS OF CORPORATE GOVERNANCE AND EFFECTIVE BOARD OVERSIGHT IN SUPPORTING THE BANK'S STRONG PERFORMANCE, GROWTH, DELIVERING ITS STRATEGY AND ACHIEVING SUCCESS FOR ALL ITS STAKEHOLDERS.

THE BOARD REPORT

Chair's Introduction

On behalf of the Board, I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2022. The report sets out an overview of the Board's roles and responsibilities and its key activities during the year.

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

2022 has been another year of uncertainty, with geopolitical and economic volatility impacting our customers, employees and the markets we operate in. The Bank's focus on robust corporate governance has allowed the Board to continue to ensure effective oversight of the Bank together with challenge and support for senior management. Economic volatility and related considerations for all of our stakeholders has been a key focus of the Board this year.

Board Size and Composition

The Board of Directors of the Bank at the 31 December 2022 comprised of eight non-executive directors including the Chair and Deputy Chair, of whom five are independent, and three executive directors, as listed on pages 30 to 31. I chair the Board and am responsible for its effectiveness. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience is maintained.

Board Changes

Michael Lewis retired as Non-Executive Director on 25 April 2022 but remains on the Bank's parent company Board as a Non-Executive Director. Alice Altemaire, who was a Non-Executive Director from September 2017 to June 2019, was reappointed as a Non-Executive Director on the 28 February 2022.

Board Responsibilities

The Board is responsible for:

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

Board effectiveness

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

Board Key Activities in 2022

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

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

Richard Murley
Chair
9 March 2023

RISK COMMITTEE REPORT

Risk Committee Chair's Introduction

On behalf of the Committee of the Board, I am pleased to present the report of the Risk Committee for my last year as Chair. After 9 years, I have handed over my Risk Committee responsibilities to Andrew Woosey who took my place as Chair in March 2023. The report sets out an overview of the Committee's key responsibilities and the principal areas of risk upon which we have focused during the year.

Looking back over the last year, I am pleased with the way in which the Bank has been able to manage risk effectively, in particular our developing approach to hybrid working patterns. We are confident in the strength of our risk frameworks and control environment but we are aware we need to closely monitor the operational risk aspects of these new working practices. While the immediate risks associated with Covid-19 have started to decline, new challenges have arisen. The war in Ukraine has increased volatility in the UK's risk environment and although we operate solely in the UK and are therefore protected against the direct impacts of the war, we are conscious of the indirect impact to our employees and customers, along with all our other stakeholders. Uncertainty in the UK political environment of the type seen at times during 2022, and the challenge posed by high inflation and increased cost of living pose additional risks for the Bank and our customers.

Committee Size and Composition

The Risk Committee at year end had four members: two independent non-executive directors, Maria Harris and Andrew Woosey, plus myself as Chair and Andrew Herd, both non-executive directors who have been on the Board for over 9 years. In March 2023 I stepped down as both Chair and member of the Risk Committee and was replaced as Chair by Andrew Woosey. Other directors and senior members of staff attend the committee meetings. The relevant experience and qualifications of each of the committee members are outlined in the biographies on pages 30 and 31.

Committee Roles and Responsibilities

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

- Advising the Board on the effectiveness of the Bank's risk management framework and compliance and conduct oversight framework, to ensure that key risks are identified, monitored and appropriately managed.
- Ensuring that the risk and compliance functions remain independent and adequately resourced.
- Reviewing and monitoring the Bank's risk profile relative to current and future strategy and risk appetite through a continuous process of identification, evaluation and management of all material risks.
- Reviewing the design and implementation of risk policies across the Bank.
- Reviewing the due diligence of any proposed strategic transaction, focusing on the risk aspects and their implications for the risk profile and appetite and to advise the Board prior to the approval of any such the transaction.
- Reviewing and monitoring the appropriateness of the Bank's risk appetite, any emerging risks and risk trends, concentrations of exposures and any requirements for policy change.
- Reviewing the performance of the Bank relative to risk appetite and to receive and review reports from the Chief Risk Officer relating to any significant issues that require or are subject to remedial action.
- Ensuring that rigorous and comprehensive stress testing and scenario testing of the Bank's business is carried out regularly and that appropriate risk mitigation is in place.
- Reviewing, challenging and recommending to the Board for approval, the risk appetite, risk measures and risk limits, taking into account the Bank's capital adequacy (ICAAP), liquidity adequacy (ILAAP), recovery capacity and plan, operational capabilities and the external environment.
- Recommending to the Board annually the financial, credit, concentration, conduct, regulatory, operational and market related authorities, limits and mandates. Identifying, considering, overseeing, challenging and advising the Board on the Bank's exposure to all significant risks to the business.
- In cooperation with the Audit Committee, monitoring any identified control failings and weaknesses that may raise systemic risk issues and the relevant management actions taken to resolve them.
- Reviewing reports on any material breaches of risk limits and the adequacy of proposed actions to address such breaches.
- Reviewing and challenging the Bank's risk culture.

- Reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- Reviewing the results of any reviews of the Bank's activities by regulatory bodies and recommending to the Board any action required.
- Reviewing the activities of the Chief Risk Officer and the effectiveness of the risk function.
- Assessing whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

Risk Committee 2022 Key Activities

- Oversaw ongoing improvements to the Bank's operational resilience and operational risk management processes; culture and conduct frameworks and reporting; and regulatory submissions and returns, including the Recovery Plan, ICAAP and ILAAP.
- Strong focus on the external environment, particularly credit risk and the quality of the loan portfolio. Credit policy and appetite was subject to ongoing review and update in the context of rapidly evolving market conditions, including the war in the Ukraine and economic uncertainty.
- Capital and liquidity management remained a key focus to ensure the Bank remained appropriately funded, given the evolving external environment and the successful implementation of the Bank's growth strategy.
- Reviewed and supported the approach to using interest rate swaps to manage the Bank's exposure to interest rate risks.
- Commenced development of a roadmap for climate change risk management to guide the Bank's approach to addressing the risks associated with climate change. More detail of this risk can be found on pages 19 and 25.
- Reviewed and approved the Bank's Consumer Duty Implementation Plan.

S J Lockley

Stephen Lockley
Non-Executive Director
9 March 2023

AUDIT COMMITTEE REPORT

Chair's Introduction

During 2022 the Committee has again had a full agenda and continued to focus on its core roles and responsibilities. Additional focus has been on emerging risks, with the Committee maintaining awareness during its operation of the volatility and uncertainty in the geopolitical and economic environment and how the consequential rise in interest rates and inflation has impacted the Bank's customers and employees. We have continued to prioritise challenging the key accounting judgements across the Bank, assessing the integrity and fair presentation of the Bank's and UTB Partner's financial reporting and reviewing effectiveness of the Bank's internal control framework. The Committee has also monitored the effectiveness, performance and objectivity of Internal Audit and External Audit, along with a focus on the Bank's climate change roadmap. The following section details the Audit Committees size and composition, its roles and responsibilities and key activities which have been focused on in the year.

Committee Size and Composition

In the year the Audit Committee comprised of two independent non-executive directors: Sarah Laessig and myself (as Chair), plus Stephen Lockley, a non-executive director who has been on the Board for over 9 years. In March 2023 I stepped down as Chair of the Audit Committee but remain a member. Alice Altemaire joined the Audit Committee and was appointed as Chair and will be drafting this report in future years. The qualifications of each of the members are outlined in the biographies on pages 30 and 31.

Committee Roles and Responsibilities

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

- Reviewing the draft Annual Report and Accounts of UTB and making recommendations to the Board.
- Overseeing the establishment of accounting policies and practices by the Bank, and reviewing the significant qualitative aspects of those accounting practices.
- Reviewing the adequacy and effectiveness of processes and systems for internal control taking into account the output of the Bank's Risk Committee.
- Reviewing the results of any relevant reviews, investigations or studies of bank activities by the FCA/PRA, or other regulatory bodies, and recommending to the Board what action should be taken and monitoring that it has been implemented.
- Meeting with the External Auditors' and discuss the nature, scope, effectiveness and outcomes of the audit, including approving the engagement letter and any amendments thereto and considering management's response to material observations from the External Auditor.
- Assessing the independence and objectivity of the External Auditor annually by taking into consideration relevant UK law, regulation and professional requirements, and the nature and amount of non-audit work undertaken.
- Reviewing from time to time the choice of External Auditor and making appropriate recommendations to the Board, or approving any changes proposed by management. Reviewing any proposals for the External Auditor to undertake non-audit work, which may only be arranged with the prior agreement of the Audit Committee and in accordance with the Bank's non-audit services policy.
- Monitoring and reviewing the effectiveness of the Internal Audit function including its independence and objectivity.
- Reviewing and approving the Internal Audit plan and budget.
- Reviewing audit reports from the Head of Internal Audit and consider management responses to the Internal Auditor's findings and agreed audit actions. Additionally monitoring the timely closure of agreed audit actions by management.
- Considering whether the Internal Audit function is adequately and sufficiently resourced.
- Obtaining an independent and objective external assessment of the Internal Audit function at appropriate intervals, currently recommended by the Chartered Institute of Internal Auditors to be not less frequently than every five years (this was satisfactorily completed during 2021). Carrying out an annual assessment of the Internal Audit function.
- Considering the major internal and external audit findings and ensures, via management, that agreed actions are implemented and, where necessary, reporting to the Board.
- Overseeing the establishment of accounting policies and practices by the UTB and review the significant qualitative aspects of those accounting practices, including accounting estimates and financial statement and other regulatory disclosures.
- The Committee also performs certain of the above activities on behalf of its parent, United Trust Bank Partners Limited ("UTBP"), and Group.

Audit Committee 2022 Key Activities

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

Andrew Woosey
Non-Executive Director
9 March 2023

REMUNERATION COMMITTEE REPORT

Chair's Introduction

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee Report for the 2022 financial year. The following section details the Remuneration Committee's size and composition, its role and responsibilities and key activities which have been a focus during the year.

Committee Size and Composition

The Remuneration Committee comprises of two independent non-executive directors, Sarah Laessig and myself as Chair, and the Board Deputy Chair Graham Davin. The qualifications of each of the members are outlined in the biographies on pages 30 and 31.

Committee Roles and Responsibilities

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

Remuneration Committee 2022 Key Activities

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

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

Richard Murley
Chair
9 March 2023

RISK MANAGEMENT REPORT

APPROACH TO RISK MANAGEMENT

UTB's risk appetite and approach to risk management

UTB's management team sets the overall level and types of risk that it is willing to accept, in order to fulfil its strategic objectives, in a comprehensive risk appetite statement, which is then approved by the Board. The Bank creates value by assuming risk and, as part of its annual strategic review process, the Board considers its key objectives and defines how much risk the Bank is willing to accept. The Board and management monitor and review risk appetite throughout the year in the context of emerging risks and changes in the external environment. In 2022 the impact of rising inflation and interest rates on our customers and wider financial market conditions has been a key area of focus.

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

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

Risk Management Framework

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

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

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

The risk management framework provides an enterprise-wide view of UTB's approach to risk management, setting out how risk information is used within the Bank's decision-making and the risk management strategy, risk appetite, risk culture and risk governance. The framework supports business activities through continuous monitoring and management against the Board's defined risk appetite.

Risk Culture

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

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

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

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

The Bank's risk culture is evident in:

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

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

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

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

Risk Governance

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

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

Committee Responsibilities

Details of the Bank's Board and main committees (Audit Committee, Risk Committee, and Remuneration Committee) are set out on pages 36 to 41.

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

Management Committee	The Management Committee is chaired by the Chief Executive Officer and includes the Chief Commercial Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Operating Officer, the Chief Technology Officer and the Director of Human Resources. The executive directors provide a direct link to the Board. The committee meets at least monthly to discuss and implement the strategy of the Bank, as approved by the Board, and to oversee the effective monitoring and control mechanisms within the Bank. The committee considers the performance of the Bank, its response to market conditions, major projects, key personnel and significant events. It does not focus on day-to-day operations which are delegated to other committees and are the responsibility of line managers. It considers all exceptional items and reviews the risk profile, capital, liquidity and performance of the business.
Credit Policy Review Committee ("CPRC"), Credit Committee and Watchlist & Recoveries Committee	The Management Committee has delegated responsibility to the Credit Policy Review Committee for monitoring the Bank's exposure to credit risk and that the Credit Policy is appropriately applied as part of the lending process. The CPRC is chaired by the CRO and has two sub-committees, the Credit Committee and the Watchlist and Recoveries Committee. The Credit Committee meets daily, if required, to consider individual lending transactions in accordance with lending authorities delegated by Management Committee and the Board. The purpose of the credit committee meetings is to consider credit proposals on specific transactions and make credit decisions. Decisions include whether to approve new or increased lending proposals; material variations in terms and conditions; annual reviews where applicable; and credit strategy on existing exposures in the light of factors including material new information, a deterioration in credit quality or a request to extend or change credit terms and conditions. Asset Finance and Mortgage applications are approved by circulation based on delegated authorities. The CPRC delegates oversight of the Bank's higher risk lending exposures to the Watchlist and Recoveries ("W&R") Committee, which meets monthly. The W&R Committee reviews the status of higher risk lending exposures and recommends recovery actions loan loss provisions and write offs.
Asset and Liability Committee ("ALCO")	ALCO meets monthly and ensures that the Bank adheres to the capital, liquidity and interest rate risk appetites and policies, as approved by the Board. It is also responsible for ensuring that policies are in line with regulatory requirements. ALCO is chaired by the CFO. The committee is also responsible for the effective management of the Bank's assets and liabilities mix and profile, anticipating the impact of future business activity and management actions.
Change Management Committee	The Change Management Committee provides governance, prioritisation and approval of material business and technology changes. Change Management Committee is chaired by the CTO. The committee acts as an escalation forum for all project steering committees and reviews status reports, key issues and project risks. The committee considers the risk to the overall change agenda, in conjunction with the Risk division, for material changes and advises on appropriate modifications to schedule.
Compliance and Conduct Management Committee	The Compliance and Conduct Management Committee is responsible for overseeing compliance with non-prudential regulatory requirements and conduct risk. The committee is chaired by the Compliance Director. The purpose of the committee is to assess and monitor the Bank's compliance with internal, legal and regulatory requirements in terms of Conduct, Financial Crime, Data Protection and Regulatory Compliance and to advise executive management and the Board on these matters.
Business Management Committee	The Business Management Committees (there is a separate meeting for each of the lending business units) meet monthly and are chaired by the CCO. The meetings consider, amongst other things, the management information provided by the business unit on areas including monthly and YTD performance of the business; key credit risk metrics; MI on third parties such as brokers, valuers and solicitors; conduct, compliance and operational risk dashboards and MI; and new product and process proposals. In some cases these meetings are the relevant forum for approval of proposals, in other situations this meeting performs a review function prior to the request being elevated to a forum such as the Management Committee, a Board Committee or the Board itself for approval.
Deposits Management Committee	The Deposits Management Committee meets monthly and is responsible for the strategic and operational leadership of the Deposits department. It is chaired by the Head of Deposits. Its responsibilities include monitoring customer service levels and conduct metrics; operational performance; progress on new and existing projects; product initiatives; customer policies and regulatory compliance; and overseeing the department's risk management framework.
Climate Change Committee	The Climate Change Committee seeks to ensure that the Bank has identified its risk exposure to climate change, embedded that risk into the risk management framework and processes and articulated the risk in terms of recognising the potential future impact of climate change. The committee is chaired by the COO.

Three lines of defence

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

First line of defence

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

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

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

Second line of defence

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

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

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

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

Third line of defence

The third line of defence comprises the independent internal audit function, which provides independent and objective third line assurance to the UTB Board and Management over whether significant risks are identified and appropriately reported to the Board and Management; whether those risks are adequately controlled; and, challenges Management to improve the effectiveness of governance, risk management and internal controls. Internal Audit is overseen by the Audit Committee and reports functionally to the non-executive Chair of the Audit Committee and administratively to the Chief Executive Officer.

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

Scenario Analysis and Stress testing

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

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

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

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;

> WE ARE ENCOURAGED BY THE PROGRESS THAT THE BANK HAS MADE WHICH REFLECTS THE STRENGTH OF ITS FRANCHISE AND ITS ROBUST OPERATING PLATFORM.

- manage the Bank's risk profile to ensure that the business strategy can withstand a range of adverse conditions identified in stress testing;
- manage risk within the business units with effective independent oversight;
- ensure a sound risk control environment and risk-aware culture; and
- inform the Bank's compensation practices to reward only prudent risk taking within the risk appetite.

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

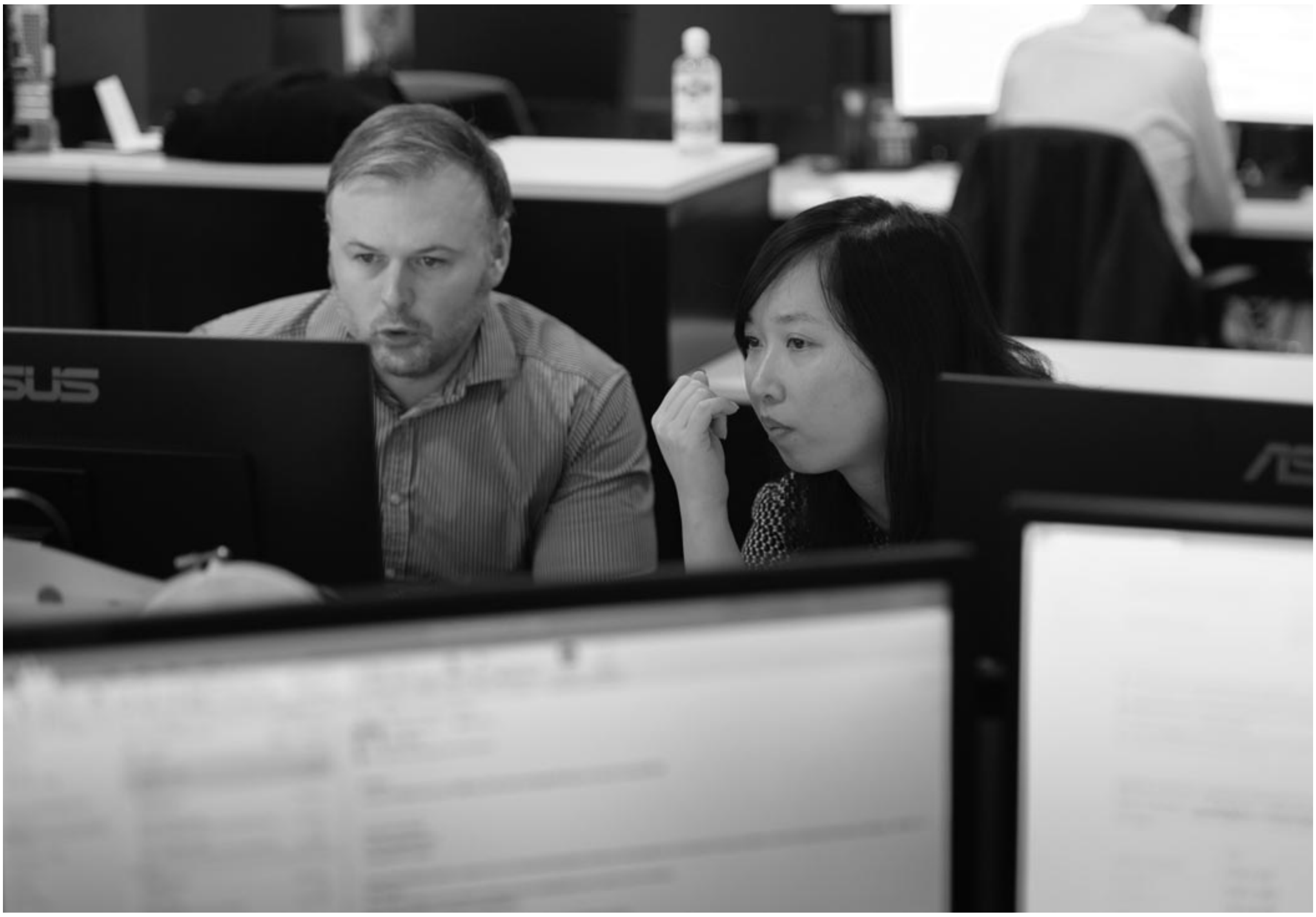
- the results of stress tests and scenario analysis; and
- the Bank's risk capacity.

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

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

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

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



PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties

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

Details of the key risks, their mitigation and changes in risk profile during 2022 are provided below:

Risk Category	Mitigation	Update on risk profile in 2022
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 stress testing processes • Regular reporting and assessment of performance against budget • Monitoring of economic metrics, developments, industries and economic outlook • Annual review and update of the business plan • Regular assessment of risks inherent in strategic decisions	The Bank continued to achieve its strategic and business objectives but within an external environment of continuing heightened risk. 2022 began in an external environment dominated by expectations of recovery from the economic impact of the pandemic. Notwithstanding the renewed lockdown in the UK in December 2021 and January 2022, economic activity bounced back strongly in Quarter 1, although inflationary pressures were increasing as a consequence of global supply chain blockages, a strong labour market and worldwide emergence from the pandemic. Russia's invasion of Ukraine on 24 February increased inflationary pressures, particularly in Europe, due to disruptions to energy, metals and food supplies. UK house prices continued to grow at double digit year on year rates, supported by a robust employment market, before falling in the final quarter. By September, BoE inflation forecasts had risen significantly, to an expected peak of 13%. The UK government's household energy price cap reduced peak inflation expectations such that by year-end, the BoE's forecast peak had reduced to 11%. However, the financial commitment required to support the cap, when combined with other government tax and spending announcements in September, destabilised bond and currency markets and led to rapidly increasing interest rates. Markets did became less volatile in the final weeks of 2022, and the BoE now forecasts a relatively shallow but extended recession in the UK, which is a material change from the recovery expected from the start of 2022. Given the external environment at the beginning of the year, the Bank's strategic plan was implemented in an environment which supported strong loan originations. Restrictive credit policy settings introduced at the start of the pandemic, in Quarter 2 2020, were progressively removed during 2021, contributing to loan book growth momentum, with the Bank achieving strong lending growth during 2021 and 2022. In mid-2022, management reviewed credit appetite in the context of the volatile external environment and reduced appetite in a small number of higher risk areas. These changes were far less extensive than the appetite restrictions applied at the start of the pandemic in 2020. The overall growth in the lending portfolio has been funded within strategy by a corresponding growth in deposit balances. The Deposits business unit continues to benefit from more efficient processes and closely co-ordinates deposit-raising activities with lending unit cashflow projections. The Bank also has £300m of drawings under the Bank of England's TFSME scheme, which is mainly collateralised by asset finance loans and first charge mortgages. In 2022, the Bank's new Buy-to-Let lending business began trading. The unit's business strategy and credit policies were reviewed and approved by Risk Committee and the Board in late 2021 and early 2022. We continue to review the economic outlook and test the financial robustness of the Bank by carrying out regular stress testing in the context of potential adverse economic conditions. More information on stress testing can be found in the Risk Management section on page 44.

Risk Category	Mitigation	Update on risk profile in 2022
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 • Regular stress testing and forward looking management of capital resources and requirements • Annual assessment of capital adequacy through the ICAAP process • Maintenance of prudent levels of capital buffers • Active monitoring of changing regulatory requirements	The Bank continued to maintain a prudent level and mix of capital resources. The Bank maintained its capital ratios in excess of regulatory requirements throughout 2022. At 31 December 2022, the CET1 ratio was 12.0% (2021: 12.7%) and the total capital ratio was 14.7% (2021: 16.2%). The Bank has not paid a dividend during the year and no redemptions or issuance of Tier 2 or AT1 capital were carried out. Since the year-end, the Bank has issued £5.4m of Tier 2 capital. The Bank continued to use a number of government-backed lending Loan (Loan Scheme) during 2022, including the Coronavirus Business Interruption Scheme ("CBILS"), the Recovery Loan Scheme ("RLS") and the BBB Enable Build Guarantee scheme. These schemes all provide the Bank with a capital benefit. The Bank of England increased the Countercyclical Capital Buffer ("CCyB") to 1% in December 2022. The Bank of England has indicated that 2% is the expected CCyB level in normal economic conditions and gave notice in July 2022 that the rate would increase to 2% with effect from 5 July 2023.
Liquidity and funding risk The risk of the Bank being unable to meet its obligations as they fall due or do so only at excessive cost.	• The Bank's activities are predominantly funded through the stable retail deposit market, with most deposits covered by the Financial Services Compensation Scheme, and the TFSME scheme • Regular liquidity scenario analysis and stress testing is performed • Forward looking management of liquidity requirements • Annual assessment of liquidity adequacy through the ILAAP process. The Bank manages its liquidity in alignment with internal and regulatory requirements • Maintenance of prudent levels of liquidity • Established policies and detailed limits to manage liquidity risks • Diverse funding profile • Limited wholesale funding (TFSME and capital instruments) • Access to the Bank of England's Discount Window Facility • The Board approves UTB's liquidity risk management strategy and ALCO meets at least monthly to review liquidity risk in comparison with appetite and early warning indicators • Liquidity metrics are monitored daily by Treasury and the Bank's senior management	The Bank maintained a stable funding base and satisfactory levels of liquidity to fund the business. The cost of deposits has continued to increase in line with market-wide rising interest rates. At times during the year it was more challenging to raise longer term deposits, as potential depositors held off investing due to anticipating further rises in inflation and interest rates. The Deposits team has been able to meet the Bank's growing funding requirements throughout the year and supported in the management of lending rates to maintain net interest margins. The Bank participates in the Bank of England's TFSME scheme, with £300m drawn. The Bank of England approved the Bank's First Charge Mortgage ("FCM") loans as collateral in June 2022. And, as planned, UTB has been progressively adding asset finance and FCM loans to the collateral pool as those loan portfolios grow, to replace Gilt and Treasury Bill collateral.

Risk Category	Mitigation	Update on risk profile in 2022
Credit risk The risk of financial loss from borrowers who are unable or unwilling to meet their financial obligations in full when due (including concentration risk to groups of borrowers, industry sectors or geographic regions). It is one of the Bank's most significant risks.	• The Bank operates in markets of which it has a good understanding and significant expertise • Established policies and procedures that are regularly reviewed and updated • Diversified and fully secured exposures • Well defined risk-based delegated underwriting authorities • Verified borrower credit worthiness and track record • Regular review of portfolio performance and risk appetite • Forward looking assessment of market dynamics • Conservative lending criteria expressed through credit risk rating scores • Established detailed limits to manage exposures including concentration risks	In the year the Bank's loan book grew by 34%, reflecting strong originations activity across all business units and a normalisation of repayment levels compared to the prior year. The war in Ukraine has not had a direct impact on the Bank's credit quality, however macro-economic and political factors have increased inflationary pressures and interest rate rises. Materials and labour supply chain challenges in the construction sector have been evident in 2022. Tail risk in the overall portfolio (i.e. higher risk credit exposures) is one of the Bank's key credit risk metrics and for the sector has remained very low at 1.8% at year end. Loan loss provisions have decreased during 2022 and remained within appetite. The total provisions charge was £1.8m compared to £6.5m in 2021. The 2022 charge was mainly the result of additional charges on a small number of historic development finance loans, with long-standing tail risk cases progressively addressed and exited. For more information on provisions for impairment losses on loans and advances, see note 10 on page 66. Rising interest rates will inevitably increase pressure on UK borrowers, many of whom are already experiencing a squeeze on household budgets and business cashflows as a result of cost inflation. In response to the deteriorating external environment, management have tightened some credit appetite settings during the year to drive a more selective approach to new business. The support provided by government schemes such as CBILS and RLS during the pandemic has now largely ended, with last drawdowns under RLS 2 on 30 September 2022.
Market risk For the Bank, Market Risk is primarily limited to interest rate risk, namely the risk that the value of the Bank's assets and liabilities, or its profitability, will fluctuate due to changes in interest rates. The Bank has no material exposure to foreign currencies or to foreign exchange risk	• Regular ALCO meetings to review the structure of the balance sheet and the results of interest rate stress testing • Management of interest rate risk through careful management of the repricing profile of assets and liabilities and the use of interest rate swaps • Management of basis risk through the management of the structure of the balance sheet	Market interest rate risk increased in Quarter 3 2022, following politically driven volatility in the markets, and although the market regained some stability in Quarter 4 2022, the outlook remained uncertain at year end. This has increased pressure on net interest rate margins, although the Bank's lending units have largely been able to re-price lending rates. The Bank has a simple and transparent balance sheet and has historically managed interest rate risk through controlling the maturity profile of customer deposits raised. During 2022, in light of the evolution of the loan book mix, the Bank began using interest rate swaps as an additional tool to manage interest rate risk and allow more flexibility in funding options. An analysis of the Bank's sensitivity to interest rate exposure is shown in note 26 on pages 74 to 75.

Risk Category	Mitigation	Update on risk profile in 2022
Operational risk Operational risk is the risk of loss arising from inadequate or failed processes, people and systems or from external events. Operational risks include cyber risk and risks related to operational resilience and the use of outsource service providers. Cyber risk is the risk of the Bank's information technology systems being penetrated to steal data or otherwise cause harm or disruption.	• Established policies and procedures that are regularly reviewed and updated • Experienced staff employed • Formal and on the job training provided • Ongoing Risk Control Self-Assessment process to ensure that risks are identified and managed effectively • Independent assurance testing • Regular risk incident reporting • Specialist cyber risk tools deployed across the Bank • Dedicated cyber security staff and resources who manage a range of preventative, detective and recovery measures • Phishing and cyber training provided to all staff • Established and tested Disaster Recovery and Business Continuity Plan arrangements	2022 has continued to see an environment of heightened external cyber risks. The nature of these threats, together with the types of incidents that have occurred, have highlighted the requirement for ongoing vigilance and updating of UTB's cyber defences to ensure that the Bank is adequately protected. The Bank continues to do this through the implementation of a suite of both preventative and detective measures. The Bank has increased central operational resourcing to support first line operational risk management with particular focus on enhancing the risk registers, improving the quantity and relevance of management information as well as the investigation of thematic and/or systemic issues arising from operational incidents. The Bank has continued to develop and improve systems and processes to support its growth. Significant projects are governed by the Change Management Committee, chaired by the Chief Technology Officer, which was introduced at the beginning of the year. Enhancements were also made, and continue to be made, to the Operational Resilience framework during 2022. The Bank has strengthened all resilience related policies, used scenario testing to identify improvements to its resiliency and carried out remediation where required. In particular, it has improved its ability to respond to disruptions when they arise, significantly strengthened its system back–up capabilities and has commenced the process of understanding the resilience of its key third-party providers.
Conduct and compliance risk The risk of financial loss, regulatory sanctions, or loss of reputation as a result of failure to comply with applicable laws and regulations and standards of good practice, including the risk of poor outcomes for customers.	• Employment of experienced professionals in relevant areas supplemented with the use of external specialists where appropriate • Regular monitoring of risks by the Compliance and Conduct Management Committee • Effective horizon scanning process to identify regulatory change • Straight forward and uncomplicated products • Regular monitoring of customer outcomes through assurance testing and compliance reviews • Regular culture and conduct risk reporting and a comprehensive and evolving governance framework • Regular staff training provided • Established processes for anti-money laundering, sanctions and fraud checking at relationship inception and in-life • Established Data Protection Framework • An active and open dialogue with its regulators	The Bank continues to offer straightforward and uncomplicated products and to conduct regular monitoring of customer outcomes. Staff awareness training is regularly updated in key areas of conduct and compliance, including anti-money laundering, data protection and conduct. Whilst there has been no change in the nature of the products offered, market conditions have increased the risk associated with retail arrears handling. This has resulted in changes to process, training and ongoing oversight. The Bank has implemented several changes during 2022 in response to regulatory consultation, guidance and policy statements. Prudential regulation developments have in recent years been discussed around operational resilience and outsourcing and this continued in 2022. Regulatory activity in the conduct sphere is evolving, with the forthcoming Consumer Duty regime and work around Borrowers in Financial Difficulty, and there is an ongoing focus on the treatment of vulnerable customers. The Bank is fully engaged and actively working to ensure it continues to meet regulatory and consumer expectations.

EMERGING RISKS

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

Economic uncertainty
There remains significant economic ongoing uncertainty regarding the future economic trajectory in the UK and across global markets. We continue to plan for a variety of different economic outcomes through scenario analysis and the stress testing of our performance and financial position to ensure we have the resources and capability to continue to perform effectively. The Bank's strong financial and capital position should enable the Bank to absorb short-term economic downturns and respond to any change in market demand and we continue to monitor this closely.

Geopolitical uncertainty
The geopolitical environment remains uncertain, given the war in Ukraine and the aftermath of Brexit. We will continue to closely monitor changes in the geopolitical landscape and regularly test the financial and operational resilience of the Bank under different scenarios. The Bank operates entirely within the UK so the direct impact of geopolitical events is usually limited. The Bank continues to track changes in the geopolitical landscape that could have an impact on the Bank and its operations, its customers, supply chain and its employees both directly or indirectly.

Inflation and interest rate
At the beginning of 2022, we considered that the external environment was likely to begin progressively improving as the impact of the Covid-19 pandemic began to subside, however, the war in the Ukraine amplified the inflationary effect of the post-pandemic recovery. Rising inflation has prompted a cost of living squeeze and an increased risk of recession. In response to the higher inflation, the Bank of England has raised its base rate progressively during 2022 and further rises are expected in 2023. Rising interest rates will inevitably increase pressure on borrowers, many of whom are already experiencing a squeeze on household budgets and business cashflows as a result of cost inflation. We anticipate that these factors will contribute to reductions in property prices, including residential property, during 2023. We consider the Bank's lending policies, in particular its conservative loan to value appetite, will help to mitigate losses on lending to the property sector. We continue to monitor these effects of increased inflation and interest rates on our customers.

IT and cyber risk
2022 has continued to see an environment of heightened external cyber risks, some of which have been exacerbated by external factors, including the cost of living crisis, war in Ukraine, as threat actors attempt to carry out campaigns against financial institutions. The nature of these threats, together with the types of incidents the Bank has witnessed, have highlighted the requirement for ongoing vigilance and updating of the Bank's cyber defences to ensure that the Bank is adequately protected. The Bank continues to do this through the implementation of a suite of both preventative and detective measures.

Climate change
Climate change risks include the financial, operational and reputational risks arising due to climate and weather-related events and the political and social response to this threat. Climate change represents an area of increasing focus, both within the Bank and across the industry more broadly. The Bank's Climate Change committee oversees the analysis and assessments of climate change related risk posed to the Bank. The Bank is not a significant emitter in its own right and has purchased carbon offsets to be carbon neutral. Our scenario analysis work has not revealed any significant exposure to the risk in the Bank's business model or activities in the short to medium term. More details on the Bank's approach to climate change risk can be found on pages 19 to 25.

Supply chains: materials and labour
The aftermath of Covid-19 is still affecting supply chains globally and has been further impacted by the war in Ukraine and the volatility in the current economic environment. Direct impacts experienced by the Bank have been limited but the Bank has witnessed the effects on the supplies and prices of raw materials and finished goods used in the construction sector and the supply of equipment such as vehicles. This has influenced prices and caused some delays in the Bank's business divisions such as Property Development and Asset Finance.
Management continue to monitor this closely and anticipate some level of further disruption in 2023. .

Regulatory and legal change
A continued increase in regulatory and legal change has been witnessed in recent years and it is anticipated that this will continue, including potential regulatory and legal deviations between the UK and EU following the UK departure from the EU. The Bank manages an established horizon scanning and monitoring framework to determine any regulatory and legal changes that could materially impact the Bank, including regulatory and legal reform and changes in regulatory practice. We engage regularly with our regulators the PRA and FCA, as well as industry bodies and external advisers to further understand any likely changes.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNITED TRUST BANK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, United Trust Bank Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 3, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Context

This is our first year of audit. Prior to the commencement of the current financial year and our formal appointment in April 2022, PricewaterhouseCoopers LLP ("PwC") had to become independent of the bank. This involved PwC ceasing non-permissible services and business relationships for the firm, partners and staff.

After becoming independent, we met with management to understand the business and to gather information which we needed to plan our first audit effectively. We met with the former auditors and reviewed their audit working papers to obtain evidence over the 2021 opening balance sheet and comparative financial information.

Overview

Audit scope	• The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors (including history of misstatement through fraud and error).
Key audit matters	• Individual loan impairment and provisioning • Accounting for effective interest rate (EIR)
Materiality	• Overall materiality: £2.5 million based on 5% of Profit on ordinary activities before tax. • Performance materiality: £1.9 million.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Individual loan impairment and provisioning Refer to note 9: Loans and advances to customers and note 10: Provision for impairment losses on loans and advances to customers. The company has an impairment provision of £4.9m to account for incurred impairment losses on the loan book. The provision is split between an unidentified/collective provision of £2.3m to account for losses that have not yet been individually identified, and an individual impairment provision of £2.6m to cover losses on individually impaired loans. We focus on this area given the complex judgements and degree of estimation uncertainty involved in the impairment assessment. While our audit testing covers both the unidentified/collective and specific provisions, the highest degree of estimation uncertainty is considered to be the level of provision required for individually impaired loans in the property development portfolio. These loans are considered by management on a case-by-case basis using discounted cash flow models that require assumptions over future costs/property sale values which can result in significant subjectivity in the estimate.	• We evaluated the design and implementation of the key controls over the loan impairment process. • We evaluated the conceptual soundness of the impairment methodology to assess whether it is in compliance with the requirements of FRS 102. • For a sample of loans that were individually impaired, including the most significant exposures, we evaluated the reasonableness of the assumptions used in the discounted cash flow model given the borrowers' circumstances. • We assessed the reasonableness of the valuations of collateral by reviewing third party valuations (where available), market data and comparable recent sales. • We tested the completeness of the individually assessed provision by selecting a sample of property development loans that were not individually assessed for impairment. For each of these we obtained evidence that monitoring of the development project was performed and assessed whether there were any facts that suggested that a loss event had occurred, or if there were other indications that the loan should be individually assessed for impairment. • We evaluated the adequacy of the disclosure relating to impairment of loans and advances to customers. Based on the procedures we performed and the evidence obtained we concluded that the estimates and judgements in determining individual loan impairment were reasonable. We are also satisfied that these disclosures are appropriate and in compliance with the accounting requirements.
Accounting for effective interest rate (EIR) Refer to note 1c: Income recognition accounting policy and note 2: Interest receivable and similar income. FRS 102 requires interest receivable and similar income to be recognised on an effective interest rate ('EIR') basis. We focus on this area due to the degree of estimation uncertainty in the cash flow profile used to allocate origination and redemption fees for the property development loans across their expected life. During the year the company has adopted a new system to calculate the effective interest rate. While this new system allows enhanced and more granular effective interest rate accounting, the change in the year also increases the risk of error.	• We evaluated the design and implementation of the key controls over the accounting for effective interest rate. • We evaluated the conceptual soundness of the methodology to assess whether it is in compliance with the requirements of FRS 102. • Using data auditing techniques, we performed an independent recalculation of the base interest recorded on all loans. We then reconciled the EIR adjustments made to the base interest revenue and agreed this to the amount recorded in the financial statements. • We assessed the reasonableness of the portfolio-wide assumptions on future cash flow timings made by management by considering historical experience, case manager expectations and the current economic environment. • For a sample of loans, we recalculated the EIR charge using the expected future cash flows. • We considered the results of management's sensitivity analysis. • We assessed the disclosures made in the financial statements. From the evidence we obtained, we concluded that the estimates and judgements used in determining EIR adjustments are reasonable. We are also satisfied that the related disclosures are appropriate and in compliance with the accounting requirements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We performed a risk assessment, giving consideration to relevant external and internal factors, including economic risk, climate change, relevant accounting and regulatory developments, as well as the company's strategy. Using our risk assessment, we tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, its regulatory environment and the accounting processes and controls.

Key management and business activities, including the financial reporting processes and the core systems, are located in London. The structure of our audit reflects the nature of the company and its operations.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements. These procedures included consideration of the impact of climate risk on loan provisioning.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall company materiality	£2.5 million
How we determined it	5% of Profit on ordinary activities before tax
Rationale for benchmark applied	Profit on ordinary activities before tax is considered the primary measure used by the shareholders in assessing the performance of the company and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1.9 million for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.15 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Evaluation of the directors' going concern assessment, including consideration of the impact of current economic environment;
- Evaluation of management's financial forecasts and the accuracy of the budgeting process through a comparison of the 2022 budget and the actual results;
- Assessing the reasonableness of management's severe but plausible stress test scenarios and considering whether management actions that can be deployed to increase regulatory capital, if required, are reasonable. We considered whether it was reasonable to assume the company would continue to operate above required regulatory capital and liquidity minima during times of stress;
- Reviewing management's stress testing of liquidity and evaluation of the impact on liquidity of past stress events. We also substantiated the liquid resources held, and liquidity facilities available to the company, for example, with the Bank of England; and
- Reading and evaluating the adequacy of the disclosure made in the financial statements in relation to going concern and checked the consistency of the disclosures with our knowledge of the company based on our audit.

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

<u>Strategic Report and Directors' Report</u>

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

<u>Responsibilities of the directors for the financial statements</u>

As explained more fully in the Statement Of Directors' Responsibilities In Respect Of The Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

<u>Auditors' responsibilities for the audit of the financial statements</u>

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 auditors' 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Financial Conduct Authority (FCA) or Prudential Regulatory Authority (PRA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate reported financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- performing enquiries of the Audit Committee, senior management (including risk and compliance), and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- review of key correspondence with regulatory authorities in relation to compliance and regulatory matters;
- incorporating unpredictability into the nature, timing and/or extent of our testing;
- challenging assumptions and judgements made by management in their estimation of the provisioning on loans and advances to customers and effective interest rate assumptions; and
- identifying and testing selected journal entries including those posted by unexpected users, those posted to unusual account combinations and those posted late in the financial reporting process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 21 April 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2023

Income Statement
For The Year Ended 31 December 2022

	Note	2022 £'000	2021 £'000
Interest receivable and similar income	2	153,034	119,015
Interest payable and similar charges		(38,374)	(23,857)
Net interest income		114,660	95,158
Other charges		(18)	(18)
Operating income		114,642	95,140
Administrative expenses	3	(51,245)	(43,483)
Depreciation and amortisation		(1,452)	(765)
Provision for impairment losses	10	(1,789)	(6,455)
Profit on ordinary activities before tax	5	60,156	44,437
Tax charge for the year	6	(14,761)	(9,015)
Profit after tax retained for the financial year		45,395	35,422

The above results are derived wholly from continuing operations. The notes on pages 60 to 76 form an integral part of these financial statements.

Statement of Comprehensive Income
For The Year Ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the financial year	45,395	35,422
Total comprehensive income	45,395	35,422

Statement of Financial Position
At 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Loans and advances to central banks	8	**243,506**	181,074
Loans and advances to other banks	8	**25,356**	23,577
Loans and advances to customers	9	**2,426,021**	1,808,607
Loans to group companies	18	**205**	120
Debt securities	11	**84,783**	221,816
Derivative financial instruments	12	**3,561**	-
Equity shares	13	**1,000**	-
Tangible fixed assets	14	**812**	552
Intangible assets	15	**4,092**	3,280
Other assets	16	**8,981**	15,152
Total assets		**2,798,317**	2,254,178
Liabilities			
Deposits from customers	17	**2,208,300**	1,715,596
Loans from banks	17	**302,135**	300,079
Loans from group companies	18	**1,879**	1,259
Derivative financial instruments	12	**96**	-
Other liabilities	19	**17,474**	12,356
Long-term subordinated debt	21	**29,324**	29,256
Total liabilities		**2,559,208**	2,058,546
Capital and Reserves			
Share capital	22	**10,350**	10,350
Share premium		**25,680**	25,680
Contingent convertible securities	23	**16,851**	16,851
Retained earnings		**186,228**	142,751
Total capital and reserves		**239,109**	195,632
Total equity and liabilities		**2,798,317**	2,254,178

The notes on pages 60 to 76 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 9 March 2023. They were signed on its behalf by:

Harley Kagan
Chief Executive Officer
9 March 2023

Jonathan Ayres
Chief Financial Officer
9 March 2023

Statement of Changes in Equity
For The Year Ended 31 December 2022

	Share capital	Share premium	Contingent convertible securities	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	**10,350**	**25,680**	**16,851**	**121,155**	**174,036**
Profit for the financial year	–	–	–	35,422	35,422
Coupon paid on contingent convertible securities	–	–	–	(1,826)	(1,826)
Dividend Paid	–	–	–	(12,000)	(12,000)
At 31 December 2021	**10,350**	**25,680**	**16,851**	**142,751**	**195,632**
Profit for the financial year	–	–	–	45,395	45,395
Coupon paid on contingent convertible securities	–	–	–	(1,918)	(1,918)
Share based payments charge	–	–	–	619	619
Share based payments recharged to parent	–	–	–	(619)	(619)
Dividend Paid	–	–	–	–	-
At 31 December 2022	**10,350**	**25,680**	**16,851**	**186,228**	**239,109**

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 77. The nature of the Bank's operations and principal activities are set out in the Strategic Report on pages 4 to 29 and Directors Report on page 32.

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 and Strategic Risk and Operational Resilience: in the context of the current economic uncertainties
- 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 and having made suitable enquiries, the directors have a reasonable expectation that the Bank has adequate resources, even under severe but plausible stress scenario, 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 along with fee income and expenses 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 year 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 year end and that are expected to apply to the reversal of the timing difference.

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

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

Leasehold improvements
- over the remaining life of the lease

Motor vehicles
- 20% per annum

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

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

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

g. Leases
Classification: A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Bank as a lessor: Finance leases are recognised on the balance sheet at an amount equal to the gross investment in the lease discounted at its implicit interest rate. The gross investment in the lease is the aggregate of a) the minimum lease payments receivable by the lessor under a finance lease; and b) any unguaranteed residual value accruing to the lessor. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

The Bank as a 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
With the exception of derivative financial instruments and equity instruments (see section (ii) of this policy), all financial assets and financial liabilities are basic financial instruments and 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
Initial recognition
Basic 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.

Subsequent recognition
Basic financial assets and liabilities are subsequently measured at amortised cost less impairment. Amortised cost is measured using the EIR method. For non-interest bearing financial instruments payable or receivable within one year on normal business terms, amortised cost shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Derecognition
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.

The Bank holds an investment in equity shares which are not publically traded and the fair value cannot be measured reliably. As a result the asset is measured at cost less impairment.

(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 allowed participants to borrow cash from the Bank of England against collateral, in the form of certain eligible loans and UK Government debt, placed with the Bank of England.

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

i. Impairment of assets

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

The Bank conducts regular assessment of financial assets for objective evidence of impairment. If there is evidence for impairment then an impairment loss is immediately recognised in the profit and loss account. The key trigger for impairment is when the borrower is experiencing difficulties which threaten their ability to fulfil the credit obligation to the Bank. This could be due to, but not limited to, payment arrears, material breach of covenants, material overruns, adverse trends in operations, or a deterioration in security value or quality.

Specific provision assessments involves two different methods for calculation. The first method used for the Property business and Asset Finance business 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, which is used for the Mortgages business for calculating specific provisions is a model based approach in which each loan within the Mortgages book is individually modelled to assess impairment.

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

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

j. Derivative financial instruments

The Bank holds interest rate swap derivative contracts which have a different accounting treatment to basic financial instruments.

Initial Recognition

A derivative financial instrument is recognised when the Bank becomes party to the contractual provisions of the instrument. Derivatives are initially recognised at fair value on the date a derivative contract is entered into.

Subsequent recognition

Derivative financial instruments are subsequently re-measured to their fair value at the end of each reporting year.

Hedge accounting

The Bank designates derivatives as hedging instrument hedging the fair value of recognised assets or liabilities or firm commitments (fair value hedges)

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an ongoing basis, the Company documents whether a hedging relationship meets the hedge effectiveness requirements under IAS 39 and whether there continues to be an economic relationship between the hedged item and the hedging instrument.

Interest rate swaps are held to mitigate interest rate risk and hedge accounting is therefore applied. The hedge relationship is designated as fair value hedge which is the hedge of exposure to changes in fair value of a recognised asset and liabilities or firm commitments attributable to interest rate risk and could affect profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate assets is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate assets attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

k. 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.

l. Share-based payments

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

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

m. 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.

n. 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.

The resulting accounting estimates will often, by definition, not equal the related actual results. Where such differences arise, the estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimates

(i) Loan book impairments:

Specific provision assessments for individually significant loans may require estimation in relation to the future cash flow timings, future sale proceeds, expected costs associated with sales and any rental income to be received. Should actual cash flows differ from those that have been estimated, the carrying value of individually significant loans could be materially different. See note 10 for further information.

(ii) EIR behavioural life:

Revenue recognition profiles under EIR accounting methodology may be impacted by behavioural assumptions surrounding the expected life of the loans in the portfolio. Should actual maturities differ from those that have been estimated, the carrying value of the loans on the balance sheet and income recognised in an accounting period could be materially different.

Judgements

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 2022 (the "AT1 Securities"), see note 23 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 percent.

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

	2022 £'000	2021 £'000
Interest income	**141,843**	105,121
Fees and commissions received	**21,903**	20,741
Fees and commissions paid	**(10,712)**	(6,847)
Total interest receivables and similar income calculated using the effective interest rate method.	**153,034**	119,015

3. Administrative expenses

	2022 £'000	2021 £'000
Staff costs:		
- wages and salaries	**27,905**	24,847
- share based payments	**619**	762
- social security costs	**4,431**	3,336
- pension costs	**2,026**	1,906
- other staff costs	**1,554**	1,513
Fees payable to the Company's auditor:		
- audit of Company's annual financial statements	**354**	351
- audit of parent company's annual financial statements	**19**	18
Total audit fee	**373**	369
- audit related assurance services	**30**	35
- other assurance services	**–**	67
Total non-audit fee	**30**	102
Total fees payable to company's auditor[1]	**403**	471
Premises and Facilities	**2,071**	2,056
Other administrative expenses	**12,236**	8,592
	51,245	43,483

The average number of people employed by the Bank (including executive directors) during the year was 326 (2021: 286). At the end of the year, the Bank employed 359 people (2021: 308). Staff costs include directors' remuneration set out in note 4.

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

	2022 Average No.	2021 Average No.
Lending	**222**	193
Treasury and central services	**104**	93
	326	286

4. Directors' remuneration

	2022 £'000	2021 £'000
The remuneration of the directors was as follows:		
- Emoluments	**2,564**	2,476
- Company contribution to money purchase pension schemes	**8**	8

No directors (2021: 3) exercised share options in the parent's shares during the year.	2022 No.	2021 No.
The number of directors who:		
Are members of money purchase pension schemes	**2**	2

	2022 £'000	2021 £'000
The above amounts for remuneration include the following in respect of the highest paid director:		
- Emoluments and incentive schemes	**1,078**	842
- Other pension costs	**4**	4

1 The auditor of the Bank was PricewaterhouseCoopers LLP (2021: Deloitte)

5. Profit on ordinary activities before tax

Operating profit on ordinary activities is stated after charging:

	2022 £'000	2021 £'000
Auditor's remuneration (note 3)	**373**	369
Audit related assurance services (note 3)	**30**	35
Other assurance services (note 3)	**–**	67
Depreciation and amortisation	**1,452**	765
Loss on disposal of tangible fixed assets	**100**	139
Operating leases: property	**1,022**	1,062

6. Tax charge for the year

Analysis of tax charge on ordinary activities

	2022 £'000	2021 £'000
Current tax on profit on ordinary activities	**14,423**	10,080
Adjustments in respect of prior year:		
UK corporation tax	**589**	(603)
Total current tax	**15,012**	9,477
Deferred tax:		
Origination and reversal of timing differences	**(293)**	(206)
Effect of decrease/(increase) in tax rate on opening asset	**42**	(103)
Prior year adjustment	-	(153)
Total deferred tax for the year	**(251)**	(462)
Total tax on profit on ordinary activities	**14,761**	9,015

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2022 (on 24 February 2022). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been re-measured accordingly where appropriate.

The UK's Bank Surcharge Levy of 8 percent applies to taxable profits above £25m, leading to an additional £2,866k of tax payable in 2022 (2021: £1,583k). Changes to UK surcharge levy were substantively enacted by the Finance Bill 2022, decreasing the levy from 8 to 3 percent on taxable profits over £100m from 1 April 2023.

The standard rate of tax applied to reported profit on ordinary activities for the year is 19% (2021: 19%). 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 2022, the net increase in deferred tax assets and liabilities decreased the corporation tax charge for the year by £251k (2021: £462k).

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:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	**60,156**	44,368
Subsidiary Group Relief	**–**	(70)
Tax charge at 19.00% (2020: 19:00%) thereon:	**11,430**	8,417
Effects of:		
Expenses and provisions not deductible for tax purposes	**31**	30
Tax rate changes on deferred tax balances	**42**	(103)
Other timing differences	**167**	191
Prior year adjustment on deferred tax	**–**	(153)
Bank Surcharge Levy	**2,866**	1,583
Prior year adjustment	**589**	(603)
Tax on items recognised in equity	**(364)**	(347)
Total tax charge for the Year	**14,761**	9,015

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 return on equity over the vesting period.

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

	2022		2021	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	**435,625**	**20.28**	551,013	17.09
Granted during the year	**64,750**	**38.00**	25,000	34.00
Exercised during the year	**(10,000)**	**10.13**	(118,996)	3.07
Lapsed during the year	**(7,750)**	**34.13**	(21,392)	8.09
Outstanding at the end of the year	**482,625**	**24.49**	435,625	20.28
Exercisable at the end of the year	**343,813**		291,906	

The options outstanding at 31 December 2022 had a weighted average exercise price of £24.49 and a weighted average remaining contractual life of six years.

There were 64,750 options granted in 2022 (2021: 25,000). The inputs into the Black Scholes model for options granted in 2022 were as follows:

	2022	2021
Weighted average share price	**38.00**	34.00
Weighted average exercise price	**38.00**	34.00
Expected volatility	**25%**	25%
Expected life	**6 Years**	6 Years
Risk-free rate at date of grant	**1.22%**	0.0%

Expected volatility for 2022 options granted was determined at a nominal 25%, based on management's best estimate, as the shares are unlisted and there is no trading. The expected life used in the model has been assessed, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural factors.

8. Loans and advances to banks

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
- Loans and advances to central banks	**243,506**	181,074
- Loans and advances to other banks	**25,356**	23,577
	268,862	204,651

9. Loans and advances to customers

	2022 £'000	2021 £'000
Property Portfolio of which:		
- Loan receivables	**1,311,193**	1,025,273
Mortgages Portfolio of which:		
- Loan receivables	**791,863**	576,494
Asset Finance Portfolio of which:		
- Loan receivables	3,568	-
- Finance lease and hire purchase receivables	**319,397**	206,840
	2,426,021	1,808,607

£340m of mortgage portfolio and finance lease receivables (2021: £141m finance lease receivables only) were pledged as collateral to the Bank of England in relation to drawings against the Bank of England's Term Funding Scheme with additional incentives for SMEs – see Note 17.

The following tables set out the maturity analysis of loan receivable split by asset class.

Property Portfolio Loan receivables	2022 £'000	2021 £'000
Amounts falling due:		
- on demand	**19,097**	26,984
- within one year	**833,000**	701,643
- over one year but less than five years	**462,068**	302,177
	1,314,165	1,030,804
Less: provision for impairment losses (see note 10)	**(2,972)**	(5,531)
	1,311,193	1,025,273

Mortgages Portfolio Loan receivables	2022 £'000	2021 £'000
Amounts falling due:		
- on demand	**1,275**	733
- within one year	**39,282**	28,959
- over one year but less than five years	**149,795**	135,896
- more than five years	**602,496**	412,041
	792,848	577,629
Less: provision for impairment losses (see note 10)	**(985)**	(1,135)
	791,863	576,494

Asset Finance Portfolio Loan receivables	2022 £'000	2021 £'000
Amounts falling due:		
- within one year	**3,568**	-
	3,568	-
Less: provision for impairment losses (see note 10)	**-**	-
	3,568	-

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

Asset Finance Portfolio Finance lease and hire purchase receivables

	2022 £'000	2021 £'000
Gross investment in receivables falling due:		
- within one year	**115,407**	79,374
- over one year but less than five years	**252,208**	158,604
- more than five years	**756**	235
	368,371	238,213
Less: unearned future finance income	**(48,023)**	(28,756)
Net investment in finance lease and hire purchase receivables	**320,348**	209,457

	2022 £'000	2021 £'000
Net investment in finance lease and hire purchase receivables:		
- within one year	**94,300**	66,297
- over one year but less than five years	**225,346**	142,956
- more than five years	**702**	204
Net investment in finance lease and hire purchase receivables	**320,348**	209,457
Less: provision for impairment losses on finance lease and hire purchase receivables (see note 10)	**(951)**	(2,617)
	319,397	206,840

	2022 £'000	2021 £'000
Net receivable under finance leases and hire purchase contracts comprises:		
- Finance leases	**13,839**	12,730
- Hire purchase	**306,509**	196,727
	320,348	209,457

10. Provision for impairment losses on loans and advances to customers

The charge for impairment losses is made up as follows:

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

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	2022 £'000	2021 £'000
Balance at 1 January	**7,471**	7,130
Charged	**2,513**	7,415
Released	**(687)**	(746)
Increase recognised in income statement	**1,826**	6,669
Utilised during the year	**(6,679)**	(6,328)
At 31 December	**2,618**	7,471

Collective impairment provision	2022 £'000	2021 £'000
Balance at 1 January	**1,812**	1,772
Increase recognised in income statement	**478**	40
At 31 December	**2,290**	1,812

Balance at 31 December	2022 £'000	2021 £'000
Individual impairment provision of which:		
- Property portfolio	**1,349**	4,270
- Mortgages portfolio	**985**	1,135
- Asset Finance portfolio	**284**	2,066
	2,618	7,471
Collective impairment provision of which:		
- Property portfolio	**1,623**	1,261
- Asset Finance portfolio	**667**	551
	2,290	1,812

11. Debt securities

	2022 £'000	2021 £'000
Issued by public bodies:		
- government securities	**84,783**	221,816
	84,783	221,816

	2022 £'000	2021 £'000
Maturity of debt securities:		
- due within one year	**84,783**	221,816
	84,783	221,816

£85m of debt securities were pledged as collateral to the Bank of England in relation to drawings against the Bank of England's Term Funding Scheme with additional incentives for SMEs – see Note 17. £73m of the debt securities were encumbered at December 2022 (2021: £206m).

12. Derivative Financial Instruments

During 2022 the Bank entered into interest rate swap derivative contracts. Loans and advances to customers on the balance sheet contain the hedged items. The following table shows the notional and fair values of these instruments.

Derivatives designated in fair value hedge relationship

	2022 £'000	2021 £'000
Carrying amount	**3,465**	-
Carrying amount of hedged items	**86,554**	-
Cumulative fair value adjustment on the hedged item	**(3,446)**	-
Change in fair value in year for calculating ineffectiveness (hedged item)	**(3,446)**	-
Change in fair value in year for calculating ineffectiveness (hedging instrument)	**3,470**	-
Hedge ineffectiveness in the year	(24)	-

13. Equity Shares

	2022 £'000	2021 £'000
Equity Shares	**1,000**	-
	1,000	-

In 2019 the Bank provided a convertible loan facility to a key technology supplier (Optalitix Limited) to support their growth as a strategic partner. The drawn balance at 31 December 2021 was £850k measured at cost less impairment.

In 2022 Optalitix raised capital from EIS Funds and the Bank elected to convert the loan into an equity holding in Optalitix Limited, when the drawn balance was £1m. The Bank owns 15.7% of the equity share capital of Optalitix Limited. The address of the registered office of Optalitix Limited is 7 Granard Business Centre, Bunns Lane, Mill Hill, London, NW7 2DQ.

14. Tangible fixed assets

	Leasehold Improvements	Computer and Office Equipment	Motor Vehicle	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost:				
1 January 2022	679	1,243	31	1,953
Additions	621	479	–	1,100
Disposals	–	(176)	–	(176)
31 December 2022	1,300	1,546	31	2,877
Accumulated Depreciation:				
1 January 2022	364	1,021	16	1,401
Charge	569	200	6	775
Disposals	–	(111)	–	(111)
31 December 2022	933	1,110	22	2,065
Net book value:				
31 December 2021	315	222	15	552
31 December 2022	**367**	**436**	**9**	**812**

15. Intangible assets

	2022
	£'000
Cost:	
1 January 2022	**5,515**
Additions	**1,526**
Disposals	**(142)**
31 December	**6,899**
Accumulated Amortisation:	
1 January 2022	**2,235**
Charge	**677**
Disposals	**(105)**
31 December 2022	**2,807**
Net book value:	
31 December 2021	**3,280**
31 December 2022	**4,092**

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

16. Other assets

	2022	2021
	£'000	£'000
Deferred tax asset	2,985	2,734
Prepayments and deferred expenses	5,996	12,418
	8,981	15,152

Deferred tax asset:		
As at 1 January	2,734	2,272
Origination and reversal of timing differences	293	206
Effect of increase in tax rate on opening asset	(42)	103
Prior year adjustment	–	153
As at 31 December	2,985	2,734

A deferred tax asset of £2,985k has been recognised at 31 December 2022 (2021: £2,734k) mainly representing timing differences on finance lease receivables and share based payments. 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.

17. Financial liabilities

	2022	2021
	£'000	£'000
Deposits from customers falling due:		
-on demand	23,585	27,281
- within one year	1,542,531	1,120,259
- over one year but less than five years	631,629	552,223
- over five years	10,555	15,833
Loans from banks	302,135	300,079
	2,510,435	2,015,675

Loans from banks represents amounts drawn (including accrued interest) under the Bank of England's Term Funding Scheme with additional incentives for SMEs. The prior year categorisation of deposits from customers has been restated. The "over one year but less than five years" balance has been reduced by £15,833k and this amount is now shown as "over five years". Total deposits from customers remains unchanged.

18. Loans to and from group companies

	2022	2021
	£'000	£'000
- Amounts owed to group companies	1,879	1,259
- Amounts owed by group undertakings	(205)	(120)
	1,674	1,139

Loans to and from group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The prior year categorisation of deposits from customers has been restated. The "over one year but less than five years" balance has been reduced by £15,833k and this amount is now shown as "over five years". Total deposits from customers remains unchanged.

19. Other liabilities

	2022	2021
	£'000	£'000
Accrued interest payable	225	163
Accruals and deferred income	17,249	12,193
	17,474	12,356

20. Financial instruments

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

	2022 £'000	2021 £'000
Financial assets		
Measured at amortised cost:		
- cash and balances at central banks	**243,506**	181,074
- loans and advances to other banks	**25,356**	23,577
- loans and advances to customers	**2,426,021**	1,808,607
- loans to group companies	**205**	120
- debt securities	**84,783**	221,816
Measured at fair value:		
- derivative financial instruments	**3,561**	-
	2,783,432	2,235,194
Financial liabilities		
Measured at amortised cost:		
- deposits from customers	**2,208,300**	1,715,596
- loans from banks	**302,135**	300,079
- loans from group companies	**1,879**	1,259
- long-term subordinated debt	**29,324**	29,256
Measured at fair value:		
- derivative financial instruments	**96**	-
	2,541,734	2,046,190

Fair value hierarchy

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments. The fair value is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates. As a result, the Bank has determined that its derivative valuations are classified in level 2 of the fair value hierarchy. The Bank's income, expenses, gains and losses in respect of financial instruments are summarised below:

	2022 £'000	2021 £'000
Interest income and expense		
Total interest income on financial assets at amortised cost	**153,034**	119,015
Total interest expense on financial liabilities at amortised cost	**(38,374)**	(23,857)
	114,660	95,158
Impairment losses		
On financial assets measured at amortised cost	**1,789**	6,455
	1,789	6,455

21. Long-term subordinated debt

	2022 £'000	2021 £'000
2019 Subordinated debt	**20,306**	20,274
2020 Subordinated debt	**9,018**	8,982
	29,324	29,256

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

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

22. Share capital

	2022 £'000	2021 £'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

	2022 '000	2021 '000
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.

23. Contingent convertible securities

	2022 £'000	2021 £'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 before resetting on 31 July 2020 and then every 30 November since at a fixed margin over the 1-year mid-swap rate as provided in the Securities Certificate. They currently pay interest at a rate of 15.911%.

The 2017 Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities ("AT1 Securities") bore interest at an initial rate of 10.375% per annum until 30 November 2022 and thereafter reset annually at a fixed margin over the 1-year mid-swap rate as provided in the Securities Certificate. They currently pay interest at a rate of 14.555%.

In both cases, the swap rates referred to by the Securities Certificates were to swaps that referenced LIBOR. Following the cessation of the publication of LIBOR, the reference swaps have been amended to be SONIA linked and the margins over the swap rates have been adjusted based on the ISDA protocol.

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

24. Commitments and Guarantees and assets pledged as security

	2022	2021
	£'000	£'000
Conditional commitments to lend	**647,901**	627,103
Guarantees and assets pledged as security	**77**	77

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.

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

	2022	2021
	£'000	£'000
Commitments under annual operating leases for leased property expiring in:		
- less than one year	**1,597**	1,250
- one to two years	**1,666**	1,250
- two to five years	**139**	1,354
	3,402	3,854

25. Related party transactions

Under FRS 102 Section 33 the Company is exempt from the requirement to disclose intragroup transactions with related parties on the grounds that the Bank is wholly owned by its parent company, UTB Partners Limited, whose consolidated financial statements are publicly available.

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank's related parties include:

Directors
Details of the directors' remuneration are stated in note 4.

Optalitix Limited
Details of the relationship with Optalitix Limited are set out in note 13. During the year Optalitix Limited provided services to the Bank of £776k. As at 31 December 2022 the balance owed by the Bank to Optalitix Limited was nil.

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 42 to 51.

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

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

Further details on the Bank's principal risks are considered below. The Bank does not have a trading book but does have exposure to interest rate risk from its interest bearing assets and liabilities and through the use of interest rate swaps. The Bank reduced interest rate risk through its hedging strategy.

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.

The Bank further mitigates credit risk through secured lending, holding collateral against loans to customers. The principal types of collateral held are residential and commercial property and charges over business equipment assets or vehicles.

The Bank acknowledges that there are circumstances where the borrower is in financial difficulty but it is not in the best interests of either the Bank or the borrower to take default action. Accordingly, where the circumstances suggest that the better customer outcome is for the Bank to permit a modification or concession that will over a period of time have the potential to improve the customer outcome and where the Bank in consequence is not taking a materially increased risk in so doing, the Bank will be prepared to offer forbearance.

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

Distribution of loans and advances to customers by credit quality

	At 31 December 2022	At 31 December 2021
	Loans and advances to customers	Loans and advances to customers
	£'000	£'000
Neither past due nor impaired	**2,397,919**	1,777,640
Of which forborne	**9,537**	13,272
Past due but not impaired		
Loans and receivables at amortised cost:		
- less than three months	**12,674**	14,406
- three to twelve months	**2,005**	2,977
- one to five years	**461**	1,911
Impaired	**8,498**	10,318
Repossessions	**9,372**	10,638
Less: provisions	**(4,908)**	(9,283)
	2,426,021	1,808,607

In the main past due loans 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.

The Bank will repossess collateral where other reasonable attempts to resolve the situation have failed. Repossessions are included within Loans and Advances to customers. As at 31 December 2022 the Bank held £9.4m (2021: £10.6m) of property and equipment assets obtained by taking possession of collateral. The Bank's maintains recoveries procedures to ensure the assets are disposed as soon as possible after possession for the best price achievable.

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

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

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

Maximum exposure to credit risk

The Bank's maximum exposure to credit risk is £3,431,333k (£2,862,297k) which consists the carrying amount of financial instruments assets (note 20) plus the undrawn commitments (note 24).

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, which for the Bank is to the UK residential property market, is managed and controlled through the use of appropriate limits for each business area and there is currently no large exposures above these limits. Reported exposures against concentration limits are regularly monitored and reviewed. Concentration risk of treasury assets and interbank deposits is managed and controlled through policies and limits.

Liquidity risk
Liquidity risk is the risk that the Bank is not able to meet its financial obligations as they fall due, or can do so only at excessive cost.

The ALCO recommends to the Board the policies to mitigate this risk and regularly reviews the profile of the Bank's assets and liabilities to ensure that it is positioned prudently and in compliance with agreed policies and limits, taking into account prevailing market conditions, and projections for business growth. The Bank maintains a liquid asset buffer primarily consisting of deposits at the Bank of England. This buffer is in excess of the minimum set by the PRA's liquidity framework.

The tables below analyse the Bank's undiscounted financial liabilities into relevant maturity groupings based on their contractual maturities.

Undiscounted financial liabilities

2022	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	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Deposits from customers	406,979	400,385	787,501	683,859	12,220	2,290,944
Loans from Banks	2,135	3,000	6,000	321,657	–	332,792
Other liabilities	16,626	–	225	623	–	17,474
Long term subordinated debt	753	–	1,560	32,188	–	34,501
Loans from group companies	1,879	–	–	–	–	1,879
Derivative financial instruments	14	–	–	(26)	125	113
Total	428,386	403,385	795,286	1,038,301	12,345	2,677,703

2021	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but less than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Deposits from customers	349,173	276,137	542,438	583,784	17,581	1,769,113
Loans from Banks	79	188	375	301,354	–	301,996
Other liabilities	12,193	–	163	–	–	12,356
Long term subordinated debt	753	–	1,560	34,498	–	36,811
Loans from group companies	1,259	–	–	–	–	1,259
Total	363,457	276,325	544,536	919,639	17,581	2,121,535

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. The Bank manages interest rate risk through controlling the profile of its liabilities (funding) and through the use of interest rate swaps.

The Bank seeks to mitigate interest rate risk through regular review of:
- The structure of the balance sheet;
- Results of stress testing; and
- Management of the repricing profile of assets and liabilities.

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

The vast majority of loans and advances dealt with in the following table are made at floating 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.

The impact of changes in interest rates has been assessed in terms of economic value of equity (EVE). Economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This is a long-term economic measure used to assess the degree of interest rate risk exposure.

As at 31 December 2022, the estimate that a 200bps upward and downward movement in interest rates would have impacted the economic value of equity (EVE) is as follows:

	2022	2021
	£'000	£'000
EVE Sensitivity +200bps	**(5.0)**	(0.8)
EVE Sensitivity -200bps	**6.1**	25.8

Interest rate re-pricing table

2022	**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	1,025,749	121,259	327,132	947,653	700	3,528	2,426,021
Loans and advances to banks	268,862	-	-	-	-	-	268,862
Loans to group companies	-	-	-	-	-	205	205
Debt Securities	49,738	-	34,467	-	-	578	84,783
Other assets	3,561	-	-	-	-	14,885	18,446
	1,347,910	121,259	361,599	947,653	700	19,196	2,798,317
Deposits from customers	518,383	283,090	746,967	631,629	10,555	17,676	2,208,300
Loans from banks	302,135	-	-	-	-	-	302,135
Other liabilities	96	-	-	-	-	17,474	17,570
Long-term subordinated debt	-	-	-	29,000	-	324	29,324
Loans from group companies	-	-	-	-	-	1,879	1,879
Total Capital and Reserves	-	-	16,851	-	-	222,258	239,109
	820,614	283,090	763,818	660,629	10,555	259,611	2,798,317
Net derivative financial instruments	90,000	-	-	(90,000)	-	-	
Interest rate sensitivity gap	617,296	(161,831)	(402,219)	197,024	(9,855)	(240,415)	
Cumulative gap	**617,296**	**455,465**	**53,246**	**250,270**	**240,415**	**-**	

Interest rate re-pricing table

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

27. Capital management

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

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

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

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

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

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

Regulatory capital resources

	2022	2021
	£'000	£'000
Common equity tier 1 capital		
Called up share capital	**10,350**	10,350
Share premium	**25,680**	25,680
Retained earnings	**186,228**	142,751
Deductions from common equity tier 1 capital		
Intangible assets	**(3,084)**	(2,506)
Other deductions	**(11,205)**	(6,750)
Common equity tier 1 capital	**207,969**	169,525
Additional tier 1 capital	**16,851**	16,851
Total tier 1 capital	**224,820**	186,376
Tier 2 capital		
Subordinated debt	**28,811**	28,738
Collective provisions	**2,290**	1,812
Total tier 2 capital	**31,101**	30,550
Total regulatory capital resources	**255,921**	216,926

Other deductions from common equity tier 1 capital relates to the British Business Bank's Enable Guarantee. The Enable Guarantee provides unfunded credit protection for qualifying loans within the Bank's property development loan book. Its effect is to partially offset the Bank's exposure to qualifying loans; the Bank remains exposed to the unguaranteed portion and to a 'first loss' element of the guaranteed portion. This latter exposure constitutes a synthetic securitisation position under the CRR.

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. Mr Graham Davin, a Director, and his family are directly and potentially interested in 56.2% of the issued share capital of the Company.

29. Subsequent events

Since the year end the Bank has issued a total of £5.4m of long-term subordinated debt which bears interest at 9.25% payable annually and is callable after 5 years from the issue date with a final redemption date of September 2033. From the point of issuance the long-term subordinated debt is treated as a financial instrument and recognised as a liability in the statement of financial position. There have been no other 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

Independent Auditors
PricewaterhouseCoopers LLP

Legal Advisors
CMS Cameron McKenna
Nabarro Olswang LLP

Company Secretary
Shane Bannerton

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Country of Incorporation
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