UNITED TRUST·BANK

UTB Partners Plc

Pillar 3 disclosures

as at 31 December 2023

Contents

1. Introduction

This document constitutes the consolidated Pillar 3 disclosures of UTB Partners Plc ("the Group").

The purpose of this document is to provide information and disclosure to the Group's stakeholders in relation to the internal procedures and policies adopted by the Group to manage and mitigate its key risks.

1.1. Overview of Regulatory Framework

The Basel 3 regulatory framework, which was implemented in Europe through the Capital Requirements Directive IV ("CRD IV"), came into effect on 1 January 2014. This package defines the level of capital that banks must hold, having regard for the individual risk profile of each bank. Following the United Kingdom's exit from the European Union, the Prudential Regulation Authority ("PRA") published Policy Statements PS17/21 and PS 22/21 in Q3 and Q4 2021 to implement in the UK agreed changes to Basel 3. This package of modifications to the rules reflects the experience since CRD IV was first enacted in 2014.

The requirements of Basel 3 divides the framework into three 'pillars' as described below.

Pillar 1 – these requirements set out the minimum capital requirements that banks must adhere to.

Pillar 2 – these rules require that each bank performs an 'Individual Capital Adequacy Assessment Process' ("ICAAP") to assess its own risk profile and determine whether, having regard to those risks, any additional capital should be held over and above the Pillar 1 requirements. The amount of any additional capital requirement is also assessed by the PRA during its periodic Supervisory Review and Evaluation Process ("SREP"), through which the PRA sets the overall capital resources requirement for each bank.

Pillar 3 – these rules are designed to promote market discipline by enhancing the level of disclosure made by banks to their stakeholders, allowing them to assess a bank's key risk exposures and the adequacy of a bank's risk management process to mitigate these risks.

1.2. Measure of capital resources

The Group uses the standardised approach to determine its Pillar 1 capital requirements.

1.3. Basis of disclosure

The Group's Pillar 3 disclosure document has been prepared in accordance with the Capital Requirements Regulation as implemented in the UK in the PRA Rulebook. Where disclosure has been withheld due to its proprietary nature or omitted on the basis of materiality, as the rules permit, we comment as appropriate.

The Group has assessed itself as a "small and non-complex institution (SNCI)" based on the criteria prescribed in Article 4(145) of the CRR, and as a result discloses information as required by Article 433b of the CRR. With regards to remuneration disclosures, the Group has assessed itself as "proportionality level 3" based on the criteria prescribed in SS2/17- Remuneration, and as a result discloses information as required by Article 450 of the CRR, read in conjunction with Table D of SS2/17.

All disclosures within this report have been prepared as at 31 December 2023, which is the Group's latest financial year-end, and include the 2023 audited profits which the Group's Board approved on 28 February 2024.

UTB Partners Plc ("UTBP") is the parent company of the Group and, given its 100% shareholding in United Trust Bank Limited ("the Bank"), UTBP has no staff and is classified as a Financial Holding Company under PRA rules. Accordingly the Group is supervised on a consolidated basis. UTBP does not undertake any regulated activities in its own right, and consequently is neither regulated nor approved. The Bank is the only material operating entity within the Group and drives the risk profile of the Group, accordingly UTBP has delegated responsibility for group compliance with prudential requirements to the Bank, and (unless otherwise noted) any reference to governance structures in this document relate to the Bank.

1.4. Frequency of disclosure

In line with Article 433b of the CRR, the Group's Pillar 3 disclosures are made at least annually and more frequently should management determine that significant events justify such disclosures. The Group's Pillar 3 disclosures are published on its website (www.utbank.co.uk).

1.5. Verification of information

The Group's Pillar 3 disclosures are approved by the Board on behalf of the Group and are not subject to external audit.

1.6. Regulatory Updates

The following regulatory updates are relevant to the Group and will become effective in 2024 or subsequent years. The Bank is reviewing the implications of these for the Group and planning any changes necessary to comply with the forthcoming requirements:

- The PRA published a consultation paper (CP16/22) at the end of November 2022 on the implementation of Basel Standards 3.1 in the UK; these proposals are due to take effect from 1 July 2025 and will affect the risk weights applied to the Group's exposures. The Bank is reviewing the potential impact of the proposals on the Group and has engaged with the UK trade bodies and PRA in response to the consultation. So far the PRA has released near final policy for a number of chapters, including Operational Risk (PS17/23), with the most material chapter for the Bank (credit risk), expected in mid-2024. The Bank will continue to review the impact of Basel 3.1 as the final standards are published during 2024.

- In October 2023 the PRA published a Policy Statement (PS9/23) on the ratio between fixed and variable components of total remuneration ('bonus cap'). This guidance removes the requirement for the overall level of the variable component of remuneration does not exceed 200% of the fixed component of total remuneration.

- In December 2023 the PRA published a Policy Statement (PS15/23) and accompanying updated Supervisory Statement (SS24/15) following the Consultation paper (CP5/22) on the implementation of a new regulatory framework for smaller firms, published in April 2022. At present the Group would fall within the proposed definition of a Small Domestic Deposit Taker (SDDT), so would have the option to operate under the new simpler framework when it is implemented. However, the PRA has not published the full details of the framework yet and as a result UTBP has not yet opted into the framework. More details are due to be published in the coming years with full implementation expected some time after Basel 3.1.

- Following the update to SS 2/17 Remuneration in December 2023, for performance years commencing after 29 December 2023, there are no requirements for remuneration disclosure for non listed SDDTs (Small, Domestic, Deposit Takers)[1] in future years. We expect this change to apply to the group in 2024.

[1] *https://www.prarulebook.co.uk/rulebook/Content/Chapter/402981/13-02-2024*

2. Scope of Pillar 3 disclosure

This section of the document provides an outline of the structure of the Group and the nature of its business. The Group comprises:

- UTB Partners Plc ("UTBP"), which is the parent company of the Group. Its primary purpose is holding shares in its wholly owned subsidiaries United Trust Bank Limited ("the Bank" or "UTB") and SOS Intelligence Limited ("SOS"). UTBP does not undertake any regulated activities in its own right, and consequently is neither regulated nor approved; it has no employees.
- The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. It is the primary operating company in the Group and the only one with employees.
- SOS was launched in 2020 to commercialise proprietary cyber threat intelligence technology developed by the Bank's technology team. It is an immaterial unregulated entity, classified as an ancillary services undertaking, and is excluded from the basis of consolidation for regulatory purposes.
- The Group established an Employee Benefit Trust ("EBT") in 2019. Whilst the EBT is consolidated into the Group's statutory accounts, as required by FRS 102, it is legally outside the Group and is an independent enity. It is therefore excluded from the basis of consolidation for regulatory purposes.

The PRA supervises the Group on a consolidated basis. It sets the capital requirement and receives information on the capital adequacy of the Group and Bank.

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

As permitted by the PRA rules, UTBP has delegated to the Bank responsibility for ensuring the Group complies with the relevant prudential regulations. The Bank is the regulated entity within the Group and has appropriate governance structures in place to manage such matters. Section 3 of this document describes the Bank's risk management and governance arrangements, as these cover both the Bank and the Group. The Bank's management regularly reports to the Group's Board on prudential matters.

3. Risk management framework and strategy

3.1. Risk appetite statement

UTB's management team sets the overall level and types of risk that it is willing to accept, in order to fulfil its strategic objectives, in a comprehensive risk appetite statement which is then approved by the Board. The Group 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 Group 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 2023 the challenging economic market with high interest rates and inflation, pressures in the banking sector and ongoing global conflict has caused strain for the Group's customers and the wider financial market, which has been a key area of focus for UTB.

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

3.1.1 Risk management framework

The Group's Risk Management objectives include enabling the Group to understand the risks to which it 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 Group 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 Group is or may become exposed are appropriately identified and that those risks which the Group decides to assume are managed so that the Group is not subject to material unexpected loss. It also describes the interactions between the different risk processes within the Group 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 Group's decision-making and the risk management strategy, risk appetite, risk culture and risk governance. The framework supports business activities through continuous monitoring and management against the Board's defined risk appetite.

3.1.2 Risk management strategy

The purpose of the risk management strategy is to:

- identify key and emerging risks;
- set the Group's risk appetite and ensure that business plans are consistent with it;
- take risk-informed decisions within the defined risk appetite;
- ensure that the risk appetite and business plans are supported by effective risk controls, technology, and people capabilities;
- monitor and report the level of key risks against the defined risk appetite;
- manage the Group'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 Group's compensation practices to reward only prudent risk taking within the risk appetite.

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

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

The Group'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 Group's goals and business objectives;
- granular statements detailing the type and level of specific risks that the Group 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 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 Group's risk appetite, its activities or the market or economic environment within which it operates.

3.1.3 Risk culture

The Group 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 Group's risk appetite and policies and are monitored, controlled and reported to the appropriate level for oversight, as defined in the Group's governance arrangements. The Group 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 Group'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 Group;
- a risk appetite that is in line with the business strategy and embedded in the day-to-day management of the Group;
- clear and well understood frameworks and policies;
- clear and risk-informed decision making with personal accountability;
- open channels of communication throughout the Group 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 prompt management of any that do occur; 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 Group seeks to avoid conflicts of interest in reward structures and to develop compensation structures that encourage prudent risk taking, compliant with regulatory requirements.

3.1.4 Risk governance

The Group's 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 Group 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 Committees monitor the risk management framework, the internal control environment and that risk exposures remain within the defined risk appetite.

Any material breaches of the Group's risk management policies, controls and procedures are reported to the Risk Committee, and the Board and Audit Committee where appropriate. The Audit Committee is assisted by Internal Audit, which undertakes review of risk management controls and procedures on a risk-based periodic basis or as required. The Risk Committee is assisted by second line monitoring teams, covering Compliance, Financial Crime, Credit Quality and Operational Risk.

3.1.5 Three lines of defence

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

First line of defence

The first line of defence comprises the operating departments and staff who are the risk owners with responsibility for identifying and managing the risks arising within their areas. Departments 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.

Each department's 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 Group'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 Group'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 departments. It independently monitors and conducts assurance programmes on the key activities of the first line of defence and the effectiveness of controls.

The second line of defence also performs stress testing to assess the Group'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 Head of Prudential Risk 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 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 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 Group. It can review both activities in the first line such as adherence to policy and controls, and activities in the second line such as policy setting, monitoring and related controls.

3.1.6 Scenario Analysis and Stress testing

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

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

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

3.2. Corporate governance structures

This section describes the committee and management structures in place within the Bank that identify and manage risk and ensure that the appropriate standards of corporate governance are maintained.

Significant risks are reviewed by the management of the Bank, with the aim of:

- identifying and assessing the risks faced by the Bank;
- assessing the appropriateness of risk measurement policies and practices; and
- assessing and commenting on the adequacy of the Bank's ability to measure, monitor and manage risks.

Any material breaches of the Bank's risk management policies, controls and procedures are reported to the Risk Committee, the Board and the Audit Committee where appropriate. The Audit Committee is assisted by Internal Audit, which undertakes regular and ad-hoc reviews of risk management controls and procedures. The Bank recognises that its future success as a financial institution depends on its ability to conduct its affairs with prudence and integrity and to safeguard the interests of its stakeholders.

3.2.1 The Board

Board size and composition

The Bank's Board of Directors of the Bank at the 31 December 2023 comprised of eight non-executive directors including the Chair and Deputy Chair, of which five are independent, and three executive directors, as listed on the Bank's website. Richard Murley chairs the Board and is responsible for its effectiveness. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience is maintained.

Board Changes

Shane Bannerton stepped down as Company Secretary on the 13 December 2023. Natasha Thomas was appointed as Company Secretary on 13 December 2023.

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 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.
- Overseeing regulatory compliance with the Financial Conduct Authority's Consumer Duty Regime and sustainability requirements.
- 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.

- Ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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 2023
The key areas of the Board's focus during 2023 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.
- Reviewed and approved the Bank's Liquidity Risk Management Framework.
- Considered the Bank's response to and the impact of geopolitical uncertainty and volatility in the economic markets and its reduced credit appetite.
- Reviewed an enhancement of the Bank's Operational Resilience Policy and Plan.
- Enhanced the Bank's suite of lending products, including the launch of Block Discounting.
- 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.
- Reviewed the Bank's Consumer Duty Implementation Plan.
- The Board and its committees spent time on a broad range of sustainability considerations in 2023 including staff retention, development and engagement, Climate Change and Diversity and Inclusion.
- Approved appointment of the Company Secretary.

The performance of the Board is kept under review through an evaluation process. Regular training is also provided to members of the Board to ensure they are kept up to date with any changes to the regulatory environment within which the Bank operates.

Risk Appetite
The risk appetite established by the Board incorporates a balanced mix of both quantitative and qualitative measures. The Bank's quantitative risk appetite measures include:
- Capital adequacy;
- Capital buffers;
- Liquidity limits;
- Liquidity buffers;
- Interest rate risk limits;
- Large exposure limits;
- Loan to Security Value (LTV) limits;
- Credit Risk Rating limits; and
- Tail Risk Limits

Qualitative measures include:

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

In setting the Bank's risk appetite and risk tolerance levels, the Board and Senior Management have taken into account all the relevant risks that the Bank faces. The Bank's risk appetite is calibrated using stress testing and scenario analysis through the Bank's ICAAP, ILAAP and Recovery Plan, which informs key risk indicator triggers and limits. These are designed to ensure that the Bank is able to take appropriate actions to maintain its approved risk profile. The Bank chooses to measure and monitor its risk appetite primarily on a quantitative basis, whilst qualitative issues remain a matter of judgement for management. The Bank has a strong risk culture and its risk measures are well understood within the business.

It is important that all the Bank's risks are regularly considered. Any change to business objectives can cause a change to the risk profile of the business. Consequently, under the guidance of the Management, the business regularly reviews its objectives, assesses the risks which may prevent these objectives being achieved, and ensures there is defined ownership of the risks and corresponding controls.

The likelihood and impact of any risk is assessed and appropriate controls are designed to be effective, taking into account the severity of the risk faced. The output from these processes is provided to Internal Audit, to enable them to give assurance as part of the audit plan that controls are working properly and all risks have been properly identified.

Related Party Transactions

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

Key Performance Indicators

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

Measure	At 31 Dec 2023	At 31 Dec 2022	% Change
Operating Income	£154.1m	£114.7m	34.35%
Operating Profit	£87.5m	£61.9m	41.36%
Cost to Income Ratio	43.2%	46.10%	-290bps
Return on Equity	23.9%	21.70%	+220bps
Gross New Lending	£1,792m	£1,902m	-5.84%
Loan Book	£3,104m	£2,426m	27.95%
Funding[2]	£3,061m	£2,510m	21.95%
Staff Numbers	404	359	12.53%

[2] *Includes the Term Funding Scheme with additional incentives for SMEs*

Board Declaration on the Adequacy of Risk Management Arrangements

The Board considers that its risk management arrangements, including its risk management systems and controls, are adequate with regards to the Bank's profile and size.

Other Directorships held by members of the Board

The number of external commercial directorships, LLP memberships and partnerships held by the Executive and Non-Executive Directors who served on the Board for the year ended 31 December 2023 in addition to their roles within the Bank were:

Name	**Position**	**Total Positions held**
Graham Davin	Deputy Chair	2
Alice Altemaire	Non-Executive Director	1
Maria Harris	Non-Executive Director	1
Andrew Herd	Non-Executive Director	4
Sarah Laessig	Non-Executive Director	3
Stephen Lockley	Non-Executive Director	1
Mark Stokes	Executive Director	1
Andrew Woosey	Non-Executive Director	2

In line with SYSC 4.3A.7, the above table only considers commercial directorships, and does not include charities and trusts. Multiple directorships held within the same group are considered to count as a single directorship. Members of the Board, who did not hold any other directorships in addition to their role within the Bank, for the year ended 31 December 2023, have been excluded.

Other Stakeholder Considerations

Valuing Our People

The Bank's people are key to its success and great emphasis is placed on recognising and valuing their contributions throughout the year. Some examples include;

- Awarding 3 Golden Owl awards that recognise exemplary staff
- Organised Social Events
- Christmas gifts for all staff and their children
- 2 Wellbeing days per annum
- Easter gifts for staff children
- Approved long service awards to commence in 2024

Listening to the Bank's people

The directors understand the importance of regular engagement with its 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**: UTB conducted its latest employee engagement survey for 2023 to obtain insight from across the business. The Bank achieved high response and engagement rates and the results gave management insights into wellbeing, management, leadership, efficiencies and culture.

- **Regular Engagement:** The Bank maintains engagement with its employees throughout the year through engagement surveys, the appraisal process, senior management-led Town Halls, focus groups, induction programmes, welcome lunches, coffee catch ups and other business forums.
- **Training and mentoring programmes:** These are in place to support the development of all employees and include; management training, interview training and leadership training, plus support for professional qualifications.

Diversity and Inclusion

Diversity and inclusion continues to be an important focus for both the Group Board and Bank's Board. The Bank is committed to ensuring that all of its 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 a working environment that promotes dignity and respect for every employee and provides support to staff when appropriate.
- 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.

In the year, the Diversity and Inclusion Committee have focused on the following key initiatives;

- Enhanced Maternity/Paternity Policy
- Maternity coaching benefit
- Menopausal advice benefit
- Neurodiversity assistance
- New Apprentice scheme
- Graduate recruitment campaign
- Equality data collection
- CBI Smart Future Programmes
- Networking event for women
- Celebrating Pride
- Joining Women in Business & Finance

3.2.2 Board Committees

The Board maintains ultimate responsibility for ensuring that an effective risk management framework is in place. The Board delegates certain powers for some matters to committees, which are set out below. The outputs from the committees are reported to the Board, ensuring that the Board retains the appropriate oversight. The main committees of the Bank's Board are:

Audit Committee

Committee size and composition

In the year the Audit Committee comprised of three independent non-executive directors: Alice Altemaire as chair, Sarah Laessig and Andrew Woosey, plus Stephen Lockley, a non-executive director who has been on the board for over 10 years. In March 2023 Andrew Woosey stepped down as chair of the committee but remained a member. Alice Altemaire joined the Audit committee and was appointed as Chair. The qualifications of each of the members are outlined in the biographies on Bank's website.

Committee Roles and Responsibilities

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

- Reviewing the draft Annual Report and Accounts of UTB and making recommendations to the Board.
- Overseeing the establishment and maintenance of accounting policies and practices, and reviewing the significant qualitative aspects of those accounting practices, including accounting estimates and financial statement and other regulatory disclosures.
- Reviewing the adequacy and effectiveness of processes and systems for internal control taking into account the output of the 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 to 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 Auditors and the effectiveness of their performance annually by taking into consideration: relevant UK law, regulation and professional requirements; the nature and amount of non-audit work undertaken in line with the Bank's Non-Audit Services Policy; and the External Auditor's declarations of independence.
- Reviewing from time to time the choice of External Auditors and making appropriate recommendations to the Board, or approving any changes proposed by management.
- Reviewing any proposals for the External Auditors 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 by completing the activities set out in the following points.
- Reviewing and approving the Internal Audit plan and budget.
- Reviewing audit reports from the Head of Internal Audit, considering management responses to Internal Audit'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.
- Reviewing an annual assessment by Internal Audit of its compliance with global internal audit standards.
- Obtaining an independent and objective External Quality Assessment ("EQA") of the Internal Audit function at appropriate intervals, currently recommended by the Institute

of Internal Auditors to be at least every five years (this was satisfactorily completed during 2021).
- Considering the major internal and external audit findings and ensuring, via management, that agreed actions are implemented and, where necessary, reporting findings to the Board.
- The Committee also performs certain of the above activities on behalf of its parent, UTB Partners Plc ("UTBP").

Audit Committee 2023 Key Activities
- Reviewed accounting policies and accounting methodologies where there have been significant changes or where they are particularly material and require annual review.
- Reviewed and approved key approaches, policies and certifications of the Bank, including:
    - Approach to the assessment and confirmation of going concern.
    - Loan Loss Provisioning Policy.
    - Non-Audit Services Policy including assessing what services are required, why these are appropriate and why it is in the interests of the Bank to purchase those services from the External Auditors. An example includes non-Audit services as part of the BBB Enable guarantee extension and expansion.
    - Model Risk Management Policy, including establishment of a process for oversight of its implementation.
    - Tax Strategy and Policy and Senior Accounting Officer Certification.
- Challenged key accounting judgements and key estimates such as loan loss provisioning.
- Monitored status of Internal Audit's 2023 annual audit plan, and reviewed and approved the proposed 2024 annual audit plan.
- Reviewed and approved the audit effectiveness questionnaire to ensure the Audit Committee has assessed and safeguarded the independence and effectiveness of the external audit process.
- Reviewed and approved Internal Audit's report on Operational Resilience, prepared in response to the PRA's request as part of a thematic sample of banks and building societies.

Risk Committee

Committee size and composition

The Risk Committee at year end had four members: two independent non-executive directors, Maria Harris and Andrew Woosey as chair, plus Andrew Herd, a non-executive director who has been on the Board for over 10 years. In March 2023 Stephen Lockley stepped down as both Chair and member of the Committee and was replaced as chair by Andrew Woosey. Other directors and senior members of staff attend the committee meetings. The relevant experience and qualifications of each of the committee members are outlined in the biographies on the Bank's website.

The Committee plays an important role in setting the tone and culture that promotes effective risk management across the Bank. Its key responsibilities include:
- Advising the Board on the effectiveness of the Bank's risk management framework and compliance and conduct oversight framework, to ensure that key risks are identified, monitored and appropriately managed.
- Ensuring that the risk management function remains 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 relevant 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.
- To review the results of any thematic reviews, investigations or studies of bank activities by the FCA/PRA, or other regulatory bodies. To recommend to the Board what action should be taken and monitor its implementation.

Risk Committee 2023 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 conflict in Ukraine and the Middle East and economic uncertainty.

- Capital and liquidity management remained a key focus to ensure the Bank remained appropriately funded and capitalised, given the evolving external environment and the successful implementation of the Bank's growth strategy.
- Commenced development of a roadmap for climate change risk management to guide the Bank's approach to addressing the risks associated with climate change.
- Reviewed and approved the Bank's Consumer Duty Implementation Plan.

Remuneration Committee

Committee size and composition

The Remuneration Committee comprises of two independent non-executive directors, Sarah Laessig and Richard Murley as chair, and the Board Deputy Chair Graham Davin. The qualifications of each of the members are outlined in the biographies on the Bank's website.

Committee Roles and Responsibilities

- Approving the remuneration policy and staff reward framework for all staff.
- Approving the remuneration and other terms of service of Executive Directors, Senior Management Function staff and Material Risk Takers, including awards under the long-term incentive plan.
- Ensuring that the remuneration policy is structured 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 and 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 2023 Key Activities

The key areas of the Committee's focus during 2023 are set out below:

- Approved the remuneration policy.
- Reviewed the talent and succession plan.
- Oversaw the diversity and inclusion framework and actions agreed by the Diversity and Inclusion Committee.
- Oversaw the project to review and enhance the Bank's performance management, job architecture and remuneration frameworks.
- Oversaw the Bank's Gender Pay Gap report.
- Approved the award of long-term incentive plan share options to senior staff.

3.2.3 Other Bank Committees

The Bank has established risk management policies that aim to identify the risks faced by the Bank, to set appropriate risk limits in line with the Bank's risk appetite, to establish operational procedures and controls, and to monitor adherence to the limits. Management committees including the Credit, Business Management, Compliance and Asset and Liability Committees ("ALCO") are responsible for monitoring key risks. The Chief Risk Officer is responsible for overseeing all aspects of risk management policy within the Bank, including its implementation and effectiveness. Full details of these committees can be found in the Bank's Annual Report and Accounts at www.utbank.co.uk.

3.3 Principal risks and uncertainties

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

Details of the key risks, their mitigation and changes in risk profile during 2023 are provided below:

Business performance and strategic risk

The risk arising from changes in the business environment, the Bank's business model and improper implementation of the Bank's strategy and business decisions

Mitigation

- Well established planning, budgeting and stress testing processes
- Regular reporting and assessment of performance against budget
- Monitoring of economic metrics, developments, industries and economic outlook
- Annual review and update of the business plan
- Regular assessment of risks inherent in strategic decisions

Update on risk profile in 2023

The Bank continued to achieve its strategic and business objectives within a challenging external environment of heightened risk.

2023 began in an economic environment dominated by expectations that the UK was likely to enter recession, having avoided this outcome in H2 2022. Both the Bank of England and the IMF forecast that the UK would enter recession during 2023, that inflation would fall sharply from Q2 2023 and that interest rates would begin to fall during H2 2023. During the course of the year, this combination of forecast outcomes did not occur, with the UK avoiding recession, inflation proving more resilient than expected and the Bank of England forecasting that interest rates are unlikely to reduce in H1 2024.

Given the external environment at the beginning of 2023, UTB's strategic plan was implemented in an environment which supported strong growth in the Structured Finance and Bridging Finance lending units. Conversely, but as expected, Property Development has experienced more challenging conditions for originations. In light of the economic outlook, specific restrictions on credit appetite that had been put in place in Q3 2022 were augmented in Q3 2023 by additional appetite restrictions across all lending units.

Overall loan book growth during the first three quarters of 2023 was strong, distributed across all lending units but at differing rates of growth. In the context of more difficult trading conditions, the strategy of focused tightening of credit appetite slowed loan book growth in the final quarter of 2023, with total loan book growth of 28%.

The 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 increasingly more efficient processes and closely co-ordinates deposit-raising activities with lending unit cashflow projections. In addition to deposit funding the Bank had £260m of drawings from the Bank of England under the TFSME scheme at year end, which was fully collateralised by Asset Finance loans and first charge mortgages. The Bank has started repaying the TFSME scheme, and repaid a total of £40m in 2023.

In 2023, the Bank entered the Block Discounting market as an extension of the Bank's Asset Finance business. The strategy and credit policies for this product were reviewed and approved by Risk Committee and the Board in 2023.

In summary, UTB's strategic risk profile was materially unchanged in 2023, although the external environment has become more challenging over the course of the year. In the year UTB launched Deposit Solutions, a tailored relationship based proposition for depositors with larger balances. Otherwise, the Bank has offered similar deposit and lending products in the same market segments and geographic areas.

The Bank continues to review the economic outlook and to test its financial robustness by carrying out regular stress testing in the context of potential adverse economic conditions. More information on stress testing can be found in Bank's Annual Report and Accounts on the company's website referencing page 42.

Capital risk

The risk of having insufficient capital to meet regulatory requirements and to support the Bank's business plan

Mitigation

- The Bank maintains a prudent capital base to cope with the unexpected
- Regular stress testing and forward looking management of capital resources and requirements and management of loan book growth within projected capital resources
- Annual assessment of capital adequacy through the ICAAP process
- Maintenance of prudent levels of capital buffers
- Active monitoring of changing regulatory requirements

Update on risk profile in 2023

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 2023. At 31 December 2023, the CET1 ratio was 11.8% (2022: 12.1%) and the total capital ratio was 14.9% (2022: 14.4%). Due to the challenges faced in the banking sector and the uncertain economic environment, investor appetite remained supressed for bank loan capital transactions during 2023. In this context the Bank managed loan book growth to prudently maintain capital levels above buffers.

During the year, the Bank raised a total of £27m of Tier 2 10-year subordinated debt, of which £10m was issued to external investors and £17m was issued via the Bank's parent company UTB Partners Plc, to external investors.

The Bank continued to use a number of government-backed lending schemes during 2023, including the Coronavirus Business Interruption Loan Scheme ("CBILS"), the Recovery Loan Scheme ("RLS") although there was no additional lending under these schemes in 2023, these schemes all provide the Bank with a capital benefit. In the year the Bank extended and expanded its existing Enable Build Guarantee securitisation programme with the British Business Bank, which increase the Bank's capacity to lend to housebuilders.

The Bank of England increased the Countercyclical Capital Buffer ("CCyB") to 2% in July 2023.

Liquidity and funding risk

The risk of the Bank being unable to meet its obligations as they fall due or do so only at excessive cost.

Mitigation

- The Bank's activities are predominantly funded through the stable retail deposit market, with most deposits covered by the Financial Services Compensation Scheme, and the TFSME scheme.
- Regular liquidity scenario analysis and stress testing is performed
- Forward looking management of liquidity requirements
- Annual assessment of liquidity adequacy through the ILAAP process. The Bank manages its liquidity in alignment with internal and regulatory requirements
- Maintenance of prudent levels of liquidity
- Established policies and detailed limits to manage liquidity risks
- Maintenance of a diverse funding profile
- Limited wholesale funding (TFSME and capital instruments)
- Access to the Bank of England's Discount Window Facility
- The Board approves UTB's liquidity risk management strategy and ALCO meets at least monthly to review liquidity risk in comparison with appetite and early warning indicators
- Liquidity metrics are monitored daily by Treasury and the Bank's senior management

Update on risk profile in 2023

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

The cost of deposits continued to increase during H1 2023 in line with market-wide rising interest rates. As market sentiment moved towards the view that interest rates were close to peaking during Q2 and Q3, it became progressively easier to raise longer-term deposits. The Bank uses swaps to mitigate interest rate risk and has also been able to raise longer-term deposits to achieve natural hedging. The Deposits team has been able to meet the Bank's growing funding requirements throughout the year.

UTB has added additional Asset Finance and First Charge Mortgage loans to the Single Collateral Pool to replace Gilts and Treasury Bills as collateral for its drawings under the Bank of England's TFSME scheme. By August 2023, the Bank had fully collateralised the scheme drawings with Asset Finance and Mortgage loans. The Bank has now begun the process of progressively reducing drawings under the TFSME scheme.

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

Mitigation

- The Bank operates in markets of which it has a good understanding and significant expertise
- Established policies and procedures that are regularly reviewed and updated
- Diversified and fully secured exposures
- Well defined risk-based delegated underwriting authorities
- Verified borrower credit worthiness and track record
- Regular review of portfolio performance and risk appetite
- Forward looking assessment of market dynamics
- Conservative lending criteria expressed through credit risk rating scores
- Established detailed limits to manage exposures including concentration risks

Update on risk profile in 2023

In the year, the Bank's loan book grew by 28%. This reflected a strong level of originations, particularly during Q1–Q3 2023. During Q4, originations were slowed, reflecting more challenging market conditions, which included a small reduction in houses prices and the Bank's consequent decision to reduce credit appetite.

Tail risk in the overall portfolio (i.e. higher risk credit exposures) is one of the Bank's key credit risk metrics and in the year has increased to 5.4% which remains comfortably within risk appetite and mainly reflects more difficult property market conditions. Mortgage arrears levels have increased but there has been limited impact on provisions given the Bank's strong LTV's.

Loan loss provisions have remained within appetite during 2023, however total provisions charge increased to £4.8m compared to £1.8m in 2022. The 2023 charge was mainly the result of additional charges on the Property Development and Mortgages portfolio, where there is increasing tail risk and arrears. For more information on provisions for impairment losses on loans and advances, see the Bank's Annual Report and Accounts on the company's website referencing note 9 on page 78.

Uncertainty in the economy will continue to put pressure on UK borrowers, particularly households with lower disposable income and those with expiring fixed rate borrowing arrangements. In response to this uncertainty, management continue to monitor the market and credit appetite accordingly.

Market Risk
For the Bank, Market Risk is primarily limited to interest rate risk, namely the risk that the value of the Bank's assets and liabilities, or its profitability, will fluctuate due to changes in interest rates. The Bank has no material exposure to foreign currencies or to foreign exchange risk.
Mitigation • Regular ALCO meetings to review the structure of the balance sheet and the results of interest rate stress testing • Management of interest rate risk through careful management of the repricing profile of assets and liabilities and the use of interest rate swaps • Management of basis risk through the management of the structure of the balance sheet
Update on risk profile in 2023 Interest rate risk increased in the first three quarters of 2023, following rapid rise in base rates. Since August 2023, the Bank of England has chosen to keep base rate at 5.25% and it is expected that this will start to decrease during 2024. The net interest margin improved in 2023 as the Bank benefited from rising rates on its assets and optimised its funding costs 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. The Bank also uses swaps to manage interest rate risk, and at year end these had a total notional value of £170m. An analysis of the Bank's sensitivity to interest rate exposure is shown in the Bank's Annual Report and Accounts on the company's website referencing note 25 on pages 91 to 93.

Operational Risk
Operational risk is the risk of loss arising from inadequate or failed processes, people and systems or from external events. Operational risks include cyber risk and risks related to operational resilience and the use of outsource service providers. Cyber risk is the risk of the Bank's information technology systems being penetrated to steal data or otherwise cause harm or disruption.
Mitigation • Established policies and procedures that are regularly reviewed and updated • Experienced staff employed • Formal and on the job training provided • Ongoing Risk Control Self-Assessment process to ensure that risks are identified and managed effectively • Independent assurance testing • Regular risk incident reporting • Specialist cyber risk tools deployed across the Bank • Dedicated cyber security staff and resources who manage a range of preventative, detective and recovery measures • Phishing and cyber training provided to all staff • Established and tested Disaster Recovery and Business Continuity Plan arrangements

Update on risk profile in 2023

UTB has continued to see high levels of cyber threats together with the volume of change projects have contributed to a high level of inherent operational risk. The nature of these threats, together with the types of incidents that have occurred, have highlighted the requirement for ongoing vigilance testing and review of UTB's cyber defences. 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 under the Chief Operating Officer, to support first line operational risk management with particular focus on improving the quantity and relevance of management information, enhancing the risk registers and 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.

Enhancements were also made, and continue to be made, to the Operational Resilience framework during 2023. The Bank has strengthened all resilience related policies, used scenario testing to identify improvements to its resiliency and carried out remediation where required. Updates were also made to the Bank's Outsourcing register with regards to material service providers.

Conduct and compliance risk

The risk of financial loss, regulatory sanctions, or loss of reputation as a result of failure to comply with applicable laws and regulations and standards of good practice, including the risk of poor outcomes for customers.

Mitigation

- Employment of experienced professionals in relevant areas supplemented with the use of external specialists where appropriate
- Three Lines of Defence
- 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
- Established Conduct Risk Framework which includes Vulnerable Customers and Complaints
- Regular culture and conduct risk reporting and a comprehensive and evolving governance framework
- Regular staff training provided
- Product Governance Policy & Product Price and Fair Value Framework
- Intermediary Approval and Oversight Policy
- Established processes for anti-money laundering, sanctions and fraud checking at relationship inception and in-life
- Established Data Protection Framework
- An active and open dialogue with its regulators

Update on risk profile in 2023 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 remained volatile due to the economic and geo-political environment. In response, the Bank has continued to enhance its processes, increased the levels of training and maintained high levels of oversight. The Bank has implemented several changes during 2023 in response to regulatory consultation, guidance and policy statements, with the key change being the implementation of Consumer Duty. Particular attention has been given to enhancing the Bank's support for vulnerable customers. Prudential regulation developments have in recent years been progressed around operational resilience and outsourcing, with enhancements and embedding continuing through 2023 and onwards.

3.4 Emerging Risks

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

Economic Uncertainty	The macroeconomic environment remains uncertain which is driven by a number of risks including, domestic inflationary pressures, high interest rates and reductions in property market transaction volumes and prices. The Bank continues to plan for a variety of different economic outcomes through scenario analysis and the stress testing of its performance and financial position to ensure the Bank has 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. The Bank continues to monitor this closely.
Geopolitical Uncertainty	Global economic sentiment remains fragile and susceptible to military developments in Ukraine, the Middle East and elsewhere, to disruption in the Chinese property market and to the US electoral cycle. The Bank continued to closely monitor 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 and the Bank regularly tests its financial and operational resilience under different scenarios. The Bank operates entirely within the UK so the direct impact of geopolitical events is usually limited.
Inflation and Interest Rate	At the beginning of 2023, rising inflation and higher interest rates prompted a cost of living squeeze and an increased risk of recession. The UK avoided recession in 2023 and inflation has started to fall. Interest rates are expected to have peaked at 5.25%, however it is anticipated that rates may stay higher for longer than the market is currently projecting. Consequently high rates may continue to affect UK borrowers, particularly those with lower household income and expiring fixed rate borrowing arrangements. The

	Bank continues to monitor the effects of inflation and interest rates on its customers. The Bank anticipates that these factors will continue to affect the property market during 2024. The Bank considers its lending policies, in particular its loan to value appetite, will help to mitigate against losses on lending to the property sector.
IT and Cyber Risk	2023 has continued to see an environment of heightened external cyber risks, however the number of cyber-incidents has been much lower than the levels seen in 2022. Feedback from recently completed penetration testing is that UTB has a secure network with only a small number of minor findings to address. Phishing tests have seen good outcomes, with a low level of staff not detecting simulated phishing emails. The Bank continues to address cyber risk 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 has prepared climate change scenario analysis that supports the conclusion included in the Bank's ICAAP that climate change is not a key financial risk for UTB. In the year the Bank continued purchase carbon offsets. More details on the Bank's approach to climate change risk can be found in the Bank's Annual Report and Accounts on pages 19 to 20.
Regulatory and Legal Change	A continued increase in regulatory and legal change has been witnessed in recent years, in particular the Consumer Duty Regime and the upcoming Basel 3.1 regulations. 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. The Bank engages regularly with its regulators the PRA and FCA, as well as industry bodies and external advisers to further understand any likely changes.

4. Capital resources

As at 31 December 2023, and throughout the period to 31 December 2023, the Group maintained its capital resources at a level above the minimum capital adequacy requirements.

4.1. Eligible Capital Resources

The Eligible Capital Resources of the Group:

Tier 1	**% of Total**	**31 December 2023 £'000**	**% of Total**	**31 December 2022 £'000**	**% Growth**
Share Capital		5,009		5,009	
Share Premium		11,947		31,947	
Profit and Loss Account		262,803		183,212	
Less Intangible Assets		(3,966)		(3,084)	
Less Other Deductions		(12,012)		(11,205)	
Other Reserves		4,713		3,969	
Total CET 1	78.9%	**268,495**	83.7%	**209,848**	27.9%
Additional Tier 1		15,215		13,359	
Total Tier 1	83.4%	**283,710**	89.1%	**226,699**	27.1%
Tier 2					
Subordinated Loans		53,731		25,076	
Collective Impairments		2,773		2,291	
Total Tier 2	16.6%	**56,504**	10.9%	**27,367**	106.4%
Eligible Capital	100.00%	**340,213**	100.00%	**250,576**	35.8%

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

Other Deductions:
Other deductions from CET1 capital relates to the British Business Bank's ("BBB") Enable Guarantee. For more details on the BBB guarantee, refer to section 7.

Deferred Tax:
In accordance with Article 48 of the Capital Requirements Regulation ("CRR"), the Group's deferred tax asset of £2,911k is not deducted from Eligible Capital.

Additional Tier 1 Capital:
The 2015 Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities ("AT1 Securities") bore interest at an initial rate of 11.85% per annum before resetting on 31 July 2020 and then every 30 November since at a fixed margin over the 1-year mid-swap rate as provided in the Securities Certificate. They currently pay interest at a rate of 16.760%.

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 15.404%.

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

Tier 2 Subordinated Debt:

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

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

The January and February 2023 subordinated debt bears interest at 9.25% payable annually and is callable at the Bank's option from 11 January 2028 and 15 February 2028 respectively, with a final redemption date of 30 September 2033.

The June 2023 subordinated debt bears interest at 11.0% payable annually and is callable at the Bank's option from 23 June 2028, with a final redemption date of 30 September 2033.

The September 2023 subordinated debt was issued by UTB Partners Plc. The debt bears interest at 12.95% payable annually and is callable at the Bank's option from 5 September 2028, with a final redemption date of 31 March 2034.

4.2. Leverage Ratio
The Group's Leverage Ratio as at 31 December 2023 can be found in Table KM1.

The Group operates within an acceptable range for leverage. It manages its exposures and monitors leverage to ensure that it remains within this range.

The leverage ratio has remained relatively stable throughout the year with no significant movements, except when audited profits were recognised.

4.3. Return on Assets
The Group's return on assets was 1.9% in the year to 31 December 2023 (2022: 1.8%).

5. Capital adequacy

Capital adequacy is monitored by the Group Board, the Bank's Board and executive management, and is reported to the PRA on a quarterly basis. Capital forecasts, covering 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.

5.1. Table UK OV1- Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		2023	2022	2023
1	Credit risk (excluding CCR)	2,198,914	1,696,715	175,913
2	Of which the standardised approach	2,198,914	1,696,715	175,913
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	1,646	1,604	132
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP			
UK 8b	Of which credit valuation adjustment - CVA	1,646	1,604	132
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)	(150,150)	(140,063)	(12,012)
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
UK 19a	Of which 1250%/ deduction	(150,150)	(140,063)	(12,012)
20	Position, foreign exchange and commodities risks (Market risk)			
21	Of which the standardised approach			
22	Of which IMA			

UK 22a	Large exposures			
23	Operational risk	227,455	180,522	18,196
UK 23a	Of which basic indicator approach	227,455	180,522	18,196
UK 23b	Of which standardised approach			
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	**Total**	**2,277,865**	**1,738,778**	**182,229**

Omissions to the table above are explained in section 5.3.

5.2. Internal Capital Adequacy Assessment Process

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

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

5.3. Pillar 1 capital requirement

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

Credit risk capital requirement – the Group uses the standardised approach to determine its Pillar 1 credit risk capital. This involves the application of standard risk weights to each exposure class.

Operational risk capital requirement – the Group has adopted the basic indicator approach to determine its Pillar 1 operational risk capital. This calculation is based on the Group's operating income for the past three years.

Market risk capital requirement– the Group does not have a trading book but does have exposure to interest rate risk from its interest bearing assets and liabilities and through the use of interest rate swaps, which is addressed in Pillar 2 via a Pillar 2a add-on. This risk is mitigated through its hedging strategy.

The table below sets out the Group's Pillar 1 capital requirements as at 31 December 2023 determined in accordance with CRD V:

Description	**Main Components**	**8% Capital Required* £000's**
Central Government or central banks	• BoE Reserve Account	0
Institutions	• Cash placed with financial institutions	1,020
Corporates	• Secured & Unsecured Lending	78
Retail	• Secured & Unsecured Lending	18,654
- *Of which: SME*	• *Secured & Unsecured Lending*	*14,560*
Secured by mortgages on immovable properties	• Property Lending	61,981
- *Of which: SME*	• *Property Lending*	*28,447*
Exposures in default	• Property Lending	3,679
Items associated with particular high risk	• Property Lending	75,252
- *Of which: SME*	• *Property Lending*	*71,592*
Other items	• Sundry Debtors and Fixed Assets	3,237
Credit risk minimum Pillar 1 capital requirement		163,901
Operational risk Pillar 1 capital requirement (*basic indicator approach*)		18,196
Credit Valuation Adjustment		132
Pillar 1 capital requirement		**182,229**
Of which: Tier 1		136,672
Tier 2		45,557
Capital resources (refer to section 4.1)		
Tier 1 capital resources		283,710
Tier 2 capital resources		56,504
Total capital resources		**340,213**
Surplus of capital resources over Pillar 1 capital requirement		
Tier 1 capital surplus		147,038
Tier 2 capital surplus		10,946
Total surplus capital resources over Pillar 1 capital requirement		**157,984**

* Net of the effects of the BBB Enable Guarantee (see section 7).

The Group benefits from a surplus of capital resources over and above its Pillar 1 regulatory capital requirement. The Group's Common Equity Tier 1 ("CET1") ratio at 31 December 2023 was 11.8% (2022: 12.1%) and total capital ratio was 14.9% (2022: 14.4%).

The Group is also required to hold additional capital in the form of a Group specific add-on (Pillar 2A), which is part of its Total Capital Requirement, and also regulatory buffers which include a Capital Conservation Buffer ("CCB") and, at times, a Countercyclical Buffer ("CCyB"). The Countercyclical Capital Buffer ("CCyB") requirement increased to 2% in July 2023. The CCyB is in addition to the Capital Conservation Buffer of 2.5%. At the end of 2023, the total amount of capital committed to the 4.5% (2022: 3.5%) combined buffers, which apply to all banks in the UK, was £102m (2022: £61m).

Pillar 2A must be met by a minimum of 75% Tier 1 capital and no more than 25% Tier 2 capital. Regulatory buffers must be met by CET1 Capital. The Group's Total Capital Requirement (TCR), excluding regulatory buffers, is 9.00% (2022: 9.00%).

6. Credit risk exposures

6.1. Summary of the Group's credit risk exposures

The table below summarises the regulatory credit risk exposure at 31 December 2023:

UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a	Average
		Leverage ratio exposures*	**Leverage ratio exposures**
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	3,448,685	3,195,408
UK-2	Trading book exposures	0	0
UK-3	Banking book exposures, of which:	3,448,685	3,195,408
UK-4	Covered bonds	0	
UK-5	Exposures treated as sovereigns	347,315	350,817
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0	
UK-7	Institutions	57,072	36,991
UK-8	Secured by mortgages of immovable properties**	2,554,608	2,364,591
UK-9	Retail exposures	386,729	367,237
UK-10	Corporates	1,255	3,014
UK-11	Exposures in default	64,604	41,188
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	37,102	31,570

* Includes exposures covered by the BBB Enable Guarantee (see section 7).

** Includes 'items associated with particular high risk'

At 31 December 2023, the Group's "Loans secured by mortgages on immovable properties" were predominantly to customers within the United Kingdom and all loans in this exposure class are secured by properties within the United Kingdom. All other exposure classes are to customers within the United Kingdom. As such we have not disclosed the above table by geographic area.

The Bank does not currently have a Trading Book, or any exposure to covered bonds, or regional governments.

The residual maturity of the Group's credit risk exposures at 31 December 2023 is shown below:

Description	Up to 1 year £'000	1-5 years £'000	More than 5 years £'000	Non-interest bearing £'000	Total £'000
Central governments or central banks	333,831	13,484	-	-	347,315
Institutions	54,604	2,468	-	-	57,072
Corporates	169	956	130	-	1,255
Retail	110,759	266,253	9,717	-	386,729
Secured by mortgages on immovable properties	1,081,872	664,925	807,811	-	2,554,608
Exposures in default	30,508	7,484	26,612	-	64,604
Other items	-	-	-	37,102	37,102
	1,611,743	955,570	844,270	37,102	3,448,685

Loans and advances to customers are reviewed regularly to determine if there is any evidence of impairment. The distribution of loans and advances as at 31 December 2023 by credit quality is shown below. For the purpose of reporting, 'past due but not impaired' relate to loans that are in arrears, but the loan does not meet the definition of an impaired asset as the expected recoverable amount exceeds the carrying amount.

	At 31 December 2023 Loans and advances to customers £'000	At 31 December 2022 Loans and advances to customers £'000
Neither past due nor impaired	3,026,990	2,403,481
Of which forborne	19,500	10,181
Past due but not impaired:		
Loans and receivables at amortised cost:		
- Over three months to six months	21,718	7,529
- Over six month to nine months	6,754	2,385
- Over nine months to twelve months	7,168	990
- Over twelve months	3,340	1,416
Impaired	46,510	15,128
Of which Repossessions	17,312	6,422
Less: provisions	(8,124)	(4,908)
	3,104,356	2,426,021

All lending exposure is to the UK, and as such we have not disclosed the above table by geographic area.

Past due but not impaired loans are where customer payment has not been made for more than 90 days and is therefore classed as in default. Past due loans are subject to close oversight, sufficient collateral is secured against the loans resulting in loan to value coverage remaining within appetite and no criteria for impairment being met.

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 2023	661,435	614,418	842,535	439,085	138,467	26,438	2,722,378
%	24%	23%	31%	16%	5%	1%	
December 2022	464,246	463,267	771,286	333,492	73,822	900	2,107,013
%	22%	22%	37%	16%	3%	0%	

The purchase value of assets relating to finance lease and hire purchase receivables was £593m (2022: £482m).

Provisioning Policy

The purpose of this section is to provide more detail in relation to the Group's credit risk profile and specifically those loans where there may be doubt as to whether the amount loaned will be recovered in full.

The Group prepares its financial statements in accordance with the Financial Reporting Standards 102 ("FRS 102") issued by the Financial Reporting Council. Thus, it is required to make individual impairments against bad or doubtful debts such that the carrying value of each loan is no higher than the present value of the future cash flows that the Group expects to recover.

Bad debts are defined as those accounts that are in default and where the Group has crystallised a loss on the account.

Doubtful debts are defined as those accounts where the full recovery of the balance is not considered probable, either as a result of a client falling behind their repayment schedule, or more likely in the case of both development and bridging finance, the value of the security is impaired. Such impairment would therefore result in a shortfall between the discounted future cash flows and the customers balance outstanding.

Individual impairments have been made against all bad and doubtful debts, based on the expected loss measured on a case by case basis. Loans and advances are written off to the extent that there is no longer any realistic prospect of recovery.

Additionally the Group's experience in credit markets confirms its view that there are inherent unforeseen losses in any loan portfolio. Consequently the Group makes a collective impairment as a percentage of loan assets (which varies by type of loan and experience) on its balance sheet to cover these unforeseen losses.

The following sections explain how these general principles are applied in relation to the Group's asset portfolios.

6.2. Provision for impairment losses

6.3.1 Loans & Advances Movement	**2023 Individual £'000**	**2023 Collective £'000**	**2023 Total £'000**	**2022 Individual £'000**	**2022 Collective £'000**	**2022 Total £'000**
At 1 January	2,618	2,290	4,908	7,471	1,812	9,283
Charge	4,740	484	5,224	2,513	478	2,991
Released	(104)	-	(104)	(687)	-	(687)
Utilised during the year	(1,904)	-	(1,904)	(6,679)	-	(6,679)
At 31 December	5,350	2,774	8,124	2,618	2,290	4,908

6.3.2 Impairment losses taken to income statement	**2023 £'000**	**2022 £'000**
Individual impairments	4,636	1,826
Collective impairment	483	478
Unwind of discounting and Recovery of loans previously written off	(337)	(515)
	4,782	1,789

6.3. Credit risk management

For all property lending, the Group takes security in the form of legal charges over property against which funds are advanced and where appropriate guarantees are taken from the principal beneficiaries of the transactions being financed. These are the primary methods used by the Group to mitigate credit risk. Each security is valued at inception by a qualified surveyor. In isolated cases, the Group may also hold cash collateral in relation to certain residual liabilities associated with a development scheme. For Asset Finance and Motor Finance agreements the Group has a charge over the assets financed and/or where appropriate guarantees are taken from the borrower or company directors. The Group does not use derivatives or other financial instruments as a means of mitigating credit risk.

7. Exposure to Securitisation Positions: Enable Guarantee

The Group has in place an Enable Guarantee with the British Business Bank. The British Business Bank is a state-owned economic development bank established by the UK Government. Its aim is to increase the supply of credit to small and medium size enterprises as well as providing business advice services. The Enable Guarantee provides unfunded credit protection for qualifying loans within the Group's property development loan book. Its effect is to partially offset the Group's exposure to qualifying loans; the Group remains exposed to the unguaranteed portion and to a 'first loss' element of the guaranteed portion. This latter exposure constitutes a synthetic securitisation position under the CRR. The guarantee improves the Group's capital efficiency for property development lending and, as a consequence, increases the Group's capacity to fund SME housebuilders in the UK.

The guarantee covers loans originated by the Group which meet certain criteria including: the risk profile, loan size, purpose of the loan and the nature of the borrower. The guarantee was first entered into in October 2017 and became effective in 2018 when certain size and diversification criteria had been reached. It was extended in March 2021 and again in December 2023. Qualifying newly originated loans are added to the guarantee portfolio up to a maximum aggregate facility amount of £350m. The guarantee contains provisions that mean that new qualifying loans may not be added in the event of defaults occurring within the guaranteed portfolio. The guarantee can be terminated via a clean-up call, once the aggregate value of the remaining facilities falls below 10% of the maximum facility limit.

Loans covered by the guarantee are monitored in the same way as unguaranteed loans provided by the Group, and in the event of a default, the Group would undertake the same recovery procedures for guaranteed loans as for unguaranteed loans.

The guarantor under the guarantee is the UK Government. As a consequence the risk weighting of the guarantee exposure is 0% under Article 114(4) of the CRR which is applied to the value of guaranteed facility of each loan, including undrawn amounts. The synthetic securitisation position is deducted from Own Funds in accordance with Article 244(2)(b) of the CRR. The amount deducted at year end was £12.0m (2022: £11.2m).

The accounting for the guarantee protection is off balance sheet and the full originated loan exposure remains on balance sheet. The fees paid for the guarantee are included within operating expenses within the income statement.

The total amount of outstanding exposures under the guarantee at year end (being the guaranteed portion of the qualifying loans) was £133.5m (2022: £103.8m).

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

8. Remuneration

This remuneration disclosure is a requirement under Article 450 of the CRR.

The disclosure below covers remuneration policies and practices for categories of staff whose professional activities have a material impact on the Group's risk profile (Material Risk Takers ("MRTs")), and staff who hold Significant Management Functions ("SMFs"), in accordance with the requirements set out by the regulatory authorities. The Remuneration part of CRD V amended the requirements as from 29 December 2020, in respect of complete financial years ending after that date.

8.1. Decision making process

The Remuneration Committee of the Group is responsible for governance of remuneration on behalf of the Board. The Committee currently comprises the following non-executive directors:

- Richard Murley (Chair)
- Sarah Laessig
- Graham Davin

The Committee met two times during the financial year 2023. The Committee holds a minimum of two meetings in each financial year with additional meetings held when appropriate.

The Committee is responsible for the overall remuneration policy for all staff and in particular, the policy and the level of remuneration of SMF staff and MRTs, including Executive Directors. There are no sub-committees of the Committee and it operates under delegated authority from the Board. The Committee approves remuneration proposals on an annual basis, and reports any matters within its remit in respect of which it considers that action or improvement is needed and makes recommendations as to the steps to be taken.

In agreeing the remuneration policy, the Committee does not obtain independent external advice. The Committee considers advice from the Chief Executive Officer, Director of Human Resources, the Senior Compensation and Benefits Manager and the Head of Corporate and Company Secretary as relevant (though not in relation to their own remuneration).

In the design of pay structures for Executive Directors, SMFs and MRTs the Committee also takes account of the overall approach to reward for employees in the Group as a whole.

8.2. Link between pay and performance

The Remuneration Committee has approved remuneration principles which support a clear link between pay and performance. The principles include:

- striking an appropriate balance between risk taking and reward;
- rewarding the achievement of the overall business objectives and values of the Group;
- encouraging and supporting the Group's culture of excellent customer service;
- aligning the interests of employees with those of the Group's other stakeholders; and
- guarding against risk-taking over and above the Group's risk appetite.

8.3. Remuneration structures and their purpose

Fixed pay

In order to attract, retain and motivate employees to achieve the objectives of the Group within its stated risk appetite and risk management framework, employees are paid fixed base salaries, and benefits such as holiday allowance, company car allowances, pension contributions, life assurance, private medical insurance, permanent health insurance and may access staff loans. These elements are set at a level to ensure that there is not an excessive dependence on variable remuneration.

Annual bonus

The annual cash bonus is performance based and designed to drive and reward medium term results. It considers financial and non-financial (such as adherence to Group values) results and metrics at Group, division and individual level. The Committee approves the bonus amount.

Long term incentive plans

Senior staff may from time to time be offered options over shares in UTB Partners Plc. Options vest over four years, must be exercised within 10 years and may include performance criteria.

8.4. Deferred remuneration policy

Revenue generating staff in certain lending divisions may have up to 30% of their annual bonus deferred each year. Payment of this deferred element is contingent upon the performance of the relevant loans.

8.5. Malus and clawback

Contracts for all senior staff include a clause to provide for 'Malus' and 'Clawback'. Malus and Clawback applies to all staff under the CRD V regulations as adopted by the PRA.

8.6. Severance and Termination

UTB does not ordinarily offer employees termination payments, unless in exceptional circumstances and approved in line with the Bank's policy. Where these are agreed with an existing employee as part of a severance package, these will be reflective of the employee's performance achieved over time and will not be offered in circumstances of failure or misconduct.

8.7. Remuneration Statistics

As a Proportionality Level 3 firm, the group is required to disclose quantitative aggregate remuneration information in accordance with clauses 1(g) and 1(h) of CRR Article 450. This has been provided in the fixed format of table REM1 and REM5. Rows in the table that are not reportable as a proportionality level 3 firm have been excluded.

REM 1- Remuneration awarded for the financial year

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	12	7	13	9
17	Total remuneration (£m)	0.55	4.09	3.92	1.76

REM 5- Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						-
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										
2	Of which: members of the MB	12	7	19							
3	Of which: other senior management				0	8	0	3	2	0	
4	Of which: other identified staff				0	5	0	3	1	0	
5	Total remuneration of identified staff (£m)	0.55	4.09	4.64	0	3.75	0	1.42	20.51	0	

Appendix 1: Table KM1- Key Metrics

		31-Dec-23	31-Dec-22
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	268,495	209,850
2	Tier 1 capital	283,710	223,209
3	Total capital	340,213	250,576
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	2,277,864	1,738,779
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	11.79%	12.07%
6	Tier 1 ratio (%)	12.46%	12.84%
7	Total capital ratio (%)	14.94%	14.41%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	0.5625%	0.5625%
UK 7b	Additional AT1 SREP requirements (%)	0.1875%	0.1875%
UK 7c	Additional T2 SREP requirements (%)	0.25%	0.25%
UK 7d	Total SREP own funds requirements (%)	9.00%	9.00%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	2.00%	1.00%
UK 9a	Systemic risk buffer (%)		
10	Global Systemically Important Institution buffer (%)		
UK 10a	Other Systemically Important Institution buffer		
11	Combined buffer requirement (%)	4.50%	3.50%
UK 11a	Overall capital requirements (%)	13.50%	12.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.71%	5.41%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	3,502,424	2,878,801
14	Leverage ratio excluding claims on central banks (%)	8.1%	7.9%
	Additional leverage ratio disclosure requirements		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	257,050	252,352

UK 16a	Cash outflows - Total weighted value	129,034	107,269
UK 16b	Cash inflows - Total weighted value	113,624	79,575
16	Total net cash outflows (adjusted value)	32,258	27,694
17	Liquidity coverage ratio (%)	796.86%	911.22%
	Net Stable Funding Ratio		
18	Total available stable funding	3,057,724	2,516,383
19	Total required stable funding	2,057,282	1,648,317
20	NSFR ratio (%)	148.63%	152.66%