



**UBL UK**

**Pillar 3 Disclosures**

**Year ended 31 December 2024**

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# 1 Introduction

United National Bank Limited ('the Bank') trading as UBL UK is a UK bank authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

UBL UK was formed in 2001 from the merger of the UK branches of two Pakistani banks, United Bank Limited and National Bank of Pakistan, which had been operating in the UK since the mid-1960s.

On 4 July 2024, following regulatory approval, Bestway Group Financial Services Limited ('BGFS') acquired 95.1% of the Bank by purchasing the entire shareholding previously held by NBP (45%) and 50.1% of the ordinary shares held by UBL (reducing their holding to 4.9% of UBL UK)

UBL UK trades as a single entity and has no subsidiaries or associates.

## Purpose

This document comprises UBL UK's Pillar 3 disclosures on capital and risk management and the remuneration code disclosures as at 31 December 2024. It has two principal purposes:

- To meet the regulatory disclosure requirements under Capital Requirement Regulations and Directive, Part 8 – Disclosure by Institutions, and the rules the PRA set out in the PRA Rulebook, Part PB – Public Disclosure and as the PRA has otherwise directed, and including Remuneration Code disclosures; and
- To provide further useful information on the capital and risk profile of UBL UK.

Unless stated otherwise, all figures and positions reported are as at 31 December 2024, which is the Bank's financial year-end. These disclosures are published annually and displayed on the Bank's website ([www.ubluk.com](http://www.ubluk.com)). Additional relevant information may be found in UBL UK's Annual Report and Financial Statements, also published on the Bank's website.

## Key metrics

### Common equity tier 1 ratio

**19.8%**  
2023: 21.5%  
(Minimum Pillar 1 requirement: 4.5%)

### Tier-1 capital ratio

**19.8%**  
2023: 21.5%  
(Minimum Pillar 1 requirement: 6%)

### Total capital ratio

**20.0%**  
2023: 21.6%  
(Minimum Pillar 1 requirement: 8%)

### Common equity tier 1 capital

**£97.9m**  
Up 10.5%,  
2023: £88.6 m

### Tier-1 capital

**£97.9m**  
Up 10.5%,  
2023: £88.6 m

### Total capital

**£98.7m**  
Up 10.9%,  
2023: £89.0 m

### Total Risk Weighted Assets (RWAs)

**£493.2 m**  
Up 19.5%  
2023: £412.7m

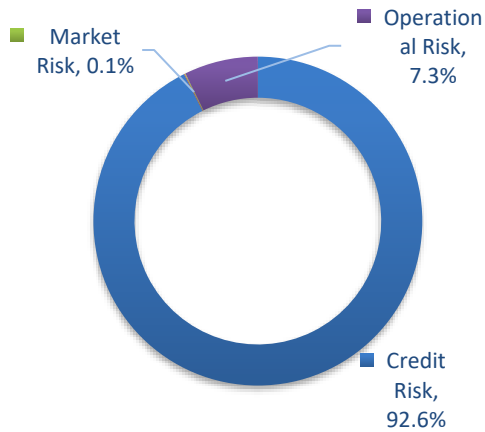
### Total Assets

**£1,283.6m**  
Up 39.5%  
2023: £919.9m

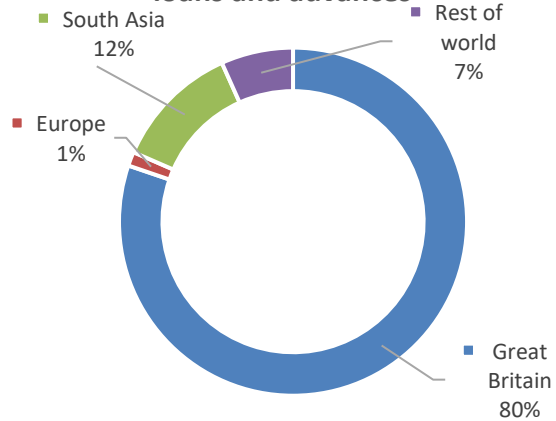
### Profit After Tax

**£7.1m**  
Down 17.0%  
2023: £8.6m

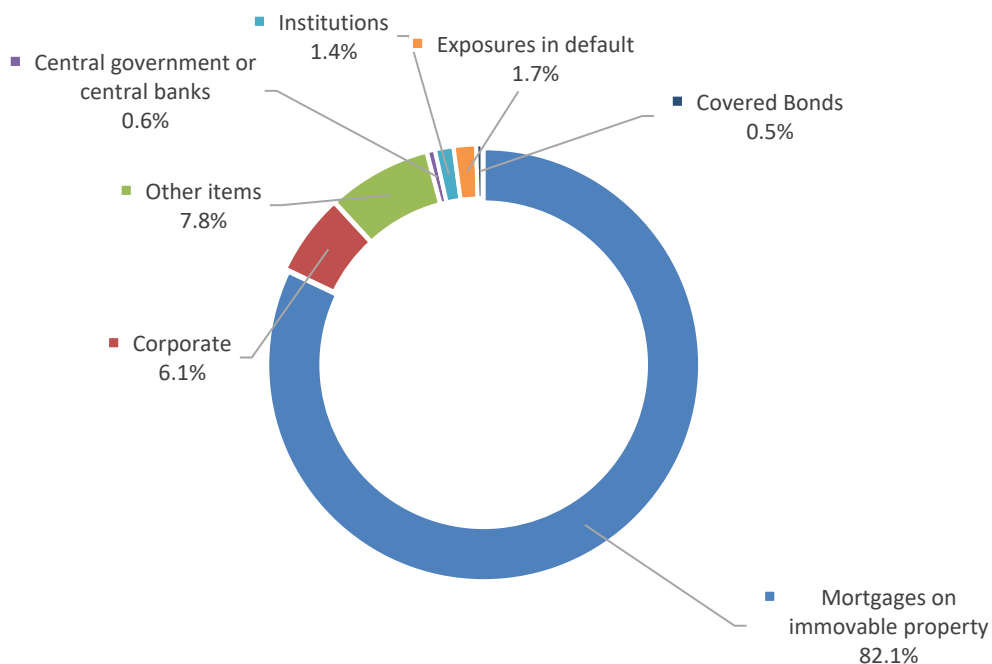
### Capital Requirement by Risk Type



### Geographical concentration of loans and advances



### RWAs by exposure class



## 1.1 Background

The European Union (EU) Capital Requirements Directive ('the Directive') came into effect on 1 January 2007. It introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II Accord.

On 1 January 2014, Basel III regulations, commonly known as CRD IV, revised the definition of capital resources and included additional capital and disclosure requirements.

The Basel framework comprises of three pillars, which are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes.

- **Pillar 1** sets out the minimum capital requirements that firms are required to meet for credit and counterparty credit, market, operational and credit valuation adjustment risks.
- **Pillar 2** of the supervisory review process requires firms and supervisors to take a view on whether the firm should hold additional capital against those factors not taken into account by the Pillar 1 process (e.g. interest rate risk in the banking book, concentration, business and strategic risk); and factors external to the firm (e.g. business cycle effects). To comply, institutions are required to develop adequate arrangements, strategies, processes and mechanisms, to maintain sound management and coverage of their risks, including maintenance of the prescribed capital requirements.
- **Pillar 3** aims to promote market discipline by developing a set of disclosure requirements which will provide market participants with key information on a firm's capital, risk exposures, risk assessment processes and the capital adequacy of the firm.

Basel III requirements were formally introduced in Part Eight of the EU Capital Requirements Regulation (CRR) No 575/2013 of the European Parliament, which along with Directive 2013/36/EU of the European Parliament (CRD) are known as the Capital Requirements Directive IV (CRD IV). The Pillar 3 disclosure requirements are contained in Articles 431 – 455 of the CRR. The Directives are enforced in the UK by the Prudential Regulation Authority ('PRA').

This section will be updated when the relevant UK CRR directive becomes available.

## 1.2 Disclosure Policy: verification, medium, location and principal activities

This document represents the Pillar 3 disclosures of UBL UK for the year ended 31 December 2024. These disclosures have been prepared purely for the purpose of explaining the basis on which the Bank has prepared and disclosed certain capital requirements; providing information about the management of risks relating to those requirements. The Bank is a single entity and no consolidation is performed.

This report has not been prepared for any other purpose. Therefore, it does not constitute any form of financial statement of the Bank nor does it constitute a forward-looking projection of the Bank.

This document has been prepared to satisfy the Pillar 3 disclosure requirements set out in the CRR. The Bank does not seek any exemption from disclosure based on materiality or because of proprietary or confidential information.

The following sets out the Bank's Pillar 3 Disclosure Policy as applied by Basel III including the location of this information, verification, frequency and the Bank's principal activities.

### 1.2.1 Location

This report will be published on the 'Annual Reports' page of the UBL UK corporate website ([www.ubluk.com](http://www.ubluk.com)), and is intended to be read in conjunction with the Bank's annual report and accounts.

### 1.2.2 Verification

The Bank's Pillar 3 disclosures have been primarily prepared to explain the capital requirements as well as the management's strategies on risks. This is not a financial statement and hence, has not been audited.

These disclosures have been subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the Bank's Asset and Liability Committee (ALCO), members of which include the Bank's Chief Executive Officer (CEO).

The Board has approved the Bank's Pillar 3 and Remuneration Code disclosures. In addition, the HR Appointments and Remuneration Committee of the Board have reviewed the Remuneration disclosures detailed in Section 9 of this document.

### 1.2.3 Frequency

These disclosures are updated annually in line with the publication of the financial statements, or more frequently in the event that significant changes are made to the risk profile or governance structure of the Bank.

### 1.2.4 Principal activities

The principal activity of the Bank is to provide property finance to portfolio landlords looking to invest in the UK residential real estate market.

## 2 Governance – Board and Committees

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### 2.1 Board responsibility for risk management

The Board of Directors has responsibility for the overall governance and risk management of the Bank. Directors are appointed by the Board and selected according to their knowledge, experience and the needs of the Bank.

The Bank takes a comprehensive approach to risk management with a defined Risk Framework and an articulated Risk Appetite Statement, which are approved annually by the Board Risk and Compliance Committee (BRCC) and the Board. Our Risk Framework is the foundation for the consistent and effective management of risks we expect to face in undertaking our strategy. The Risk Framework sets forth clear roles, responsibilities and accountability for the management of risk and provides a blueprint for how the Board, through delegation of authority to committees and executive officers, establishes risk appetite and associated limits for our activities. Our risk appetite provides a common framework and a comparable set of measures for senior management and the Board to clearly indicate the level of risk and to monitor whether the Bank's risk profile remains in alignment with our strategic and capital plans. Our risk appetite is formally articulated in the Risk Appetite Statement, which includes both qualitative components, quantitative limits and states area where risk exposure would not be tolerated (zero tolerance).

The Board's Audit Committee (BAC) oversees the qualifications, performance and independence of the external auditors, the performance of the internal audit function and the integrity of the consolidated financial statements. In addition, the committee has oversight of the Bank's compliance with legal and regulatory requirements, and makes inquiries of management or the Head of Internal Audit to determine whether there are scope or resource limitations that impede the ability of Internal Audit to execute its responsibilities.

The BRCC has primary responsibility for oversight of the Risk Framework, key risks arising from strategy and of the Board's overall risk appetite. It approves the Risk Framework and the Risk Appetite Statement and further recommends these documents to the Board for approval. The BRCC oversees senior management's responsibilities for the identification, measurement, monitoring and control of key risks facing the Bank. The BRCC may consult with other Board committees on risk-related matters and seek external expertise where this would add value.

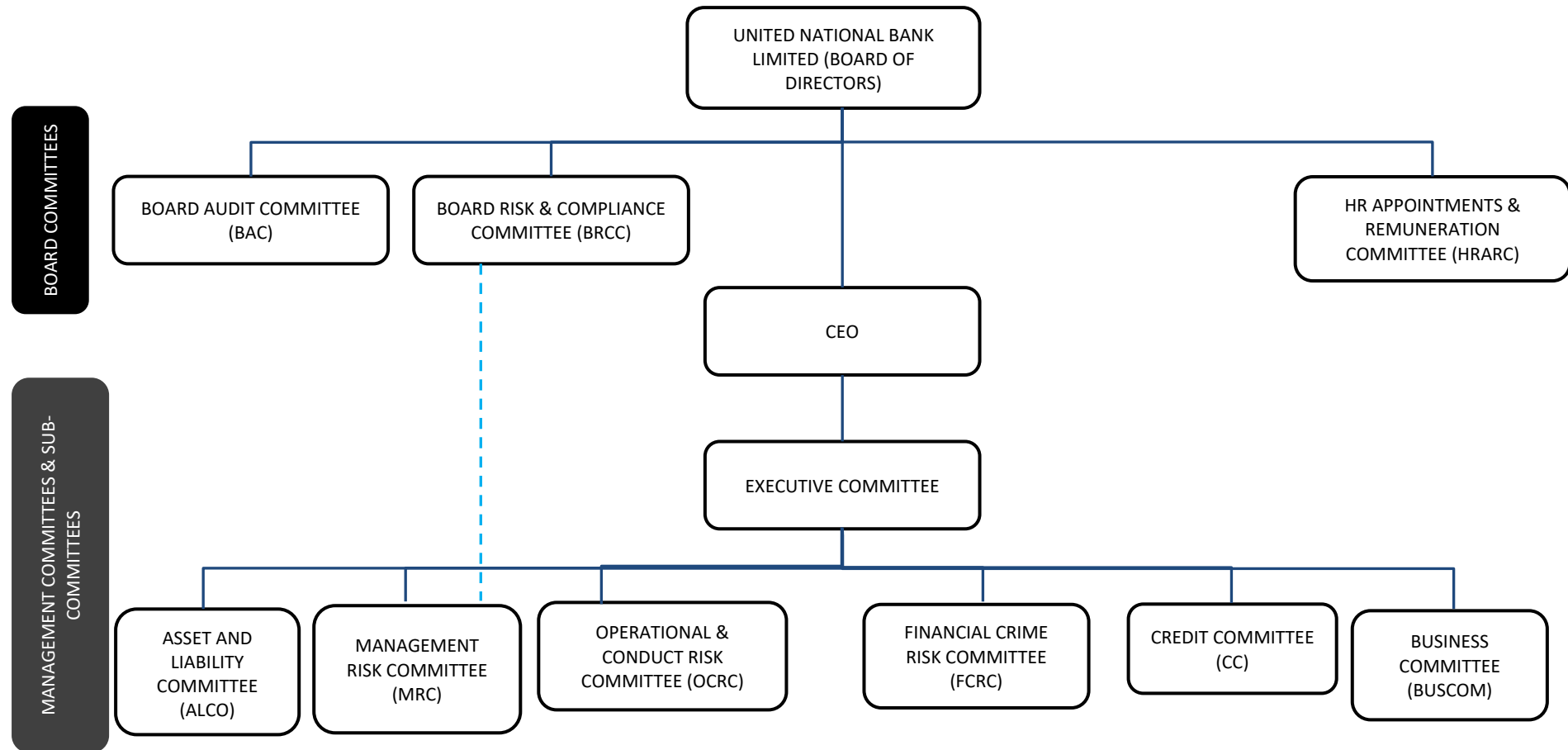
Internal Audit maintain their independence from the front line units, independent risk management, and other control functions by reporting directly to the BAC. The Head of Internal Audit administratively reports to the CEO. Internal Audit provides independent assessment and validation through testing of key processes and controls across the Bank. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which employees understand their roles and obligations.



The Bank also has a Chief Risk and Compliance Officer (CRCO) who reports to the CEO and has a dotted line to the Chair of the BRCC. The CRCO is responsible for overseeing all aspects of risk management within the Bank including the implementation and effectiveness of the risk management framework.

The diagram below shows the various Board and Management Committees and their reporting lines:

## 2.2 Board and Executive Committees



## 2.3 Diversity policy

UBL UK is committed to the principle of equal opportunity in employment.

Accordingly, management will ensure that recruitment, selection, training, development and promotion procedures result in no job applicant or a member of staff receiving less favourable treatment because of a protected characteristic i.e. race, colour, nationality, ethnic or national origin, religion or belief, disability, trade union membership or non-membership, gender, sexual orientation, pregnancy and maternity, gender reassignment, marriage/civil partnership, age, or on the basis of being a part-time or fixed term worker. The Bank's objective is to ensure that individuals are selected, promoted and otherwise treated solely because of their relevant aptitudes, skills, abilities and the needs of the organisation.

Management has the primary responsibility for successfully meeting these objectives by:

- Not discriminating in the course of employment against a member of staff or job applicants
- Not inducing or attempting to induce others to practise unlawful discrimination
- Bringing to the attention of staff that they may be subject to action under the Disciplinary Procedure for unlawful discrimination of any kind.

## 2.4 Board recruitment policy

The shareholders nominate directors and their appointment is reviewed and approved by the HRARC. The Committee considers each nomination based on the individual competence, skill and experience measured against identified objective criteria. The Board is keen to promote diversity when recruiting new directors. Regulatory approval is co-ordinated through the Chief Risk and Compliance Officer.

### 3 Risk Management

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The management of risk is a key element of the overall management of the Bank's operations and the Board's policy is that all risks should be identified, evaluated and managed appropriately. This will form the basis for better decision-making and will enable management to focus on its activities appropriately.

A sound risk management culture should be embedded in all business operations. This means that:

- An appropriate and effective risk management system should permeate the fabric of the Bank as a whole;
- There will be an open and receptive approach to mitigating risks effectively;
- All staff are responsible for encouraging good risk management practice in their areas of work;
- Everyone in the Bank must contribute to the implementation of this policy and the Risk Management Framework.

The Board, in relation to each business activity and in aggregate, must approve specific risk appetite thresholds for the whole Bank. Each business unit is responsible for managing the risks arising from its activities, and for ensuring that these risks are within the risk appetite parameters defined by the Board.

Risks will be:

- Identified;
- Evaluated in accordance to the risk appetite set by the Board;
- Mitigated where needed;
- Monitored;
- Reported; and
- Reviewed.

#### 3.1 Risk management objectives

The Bank operates risk management policies designed to achieve the following objectives:

- Use appropriate risk management procedures and methods for the identification, assessment, management, control/mitigation/reduction, monitoring and reporting of risks;
- Propose updates to risk policies and update risk management procedures in coordination with senior management, and which follow best industry practice;
- Define limits and parameters for accepting risks and seek to continuously upgrade criteria for the early identification of risks;
- Evaluate on a continuous basis the material risks in new and existing business activities;
- Report regularly to the CEO and the Board of Directors, through the BRCC, on risk management issues, including credit and market risk limits, limits of authority and the results of stress tests;
- Perform the Internal Capital Adequacy Assessment Process (ICAAP) and compare results with regulatory capital assessments in cooperation with Finance.
- Develop and recommend to the Board Risk and Compliance Committee, the Risk Appetite Statement and the risk strategy which should be aligned with business targets;
- Perform stress tests and scenario analysis for material risks;

- Develop the guidelines for the appropriate incorporation of risk management principles in business activities;
- Evaluate the liquidity position of the Bank and perform the annual Internal Liquidity Adequacy Assessment Process (ILAAP) in line with regulatory requirements;
- Develop a recovery plan to ensure the Bank can respond effectively to financial distress or operational disruptions; and
- Develop a solvent exit plan to facilitate an orderly wind-down of regulated activities. This could either be as a result of a strategic decision to exit the market, or in the event that the Bank faces significant financial difficulties which cannot be resolved through its recovery plan.

## 3.2 Risk assessment process

The Bank maintains a Risk Register and a Risk and Control Self-Assessment (RCSA) process for assessing risks, respective controls and the efficacy of those controls. All employees of the Bank are responsible for reporting risk events via an integrated risk management system (UBL ERM). These risk events are analysed by the Operational Risk and Conduct Committee (ORCC) on a monthly basis and by the Board Risk and Compliance Committee (BRCC), on a quarterly basis, where deemed material. Risks are quantified by estimating the probability and likelihood of occurrence, which are then weighted for volatility and risk aggregation as explained below.

There are a number of ways in which a risk is quantified in terms of capital allocation:

**Standardised Approach Risk Weightings:** For credit and counterparty credit risk, capital is allocated according to the risk weightings used to calculate regulatory capital under The Standardised Approach.

**Position Risk Requirement:** For market risk, capital is allocated based on any open foreign exchange positions taken by the Bank.

**Basic Indicator Approach:** For operational risk, capital is allocated based on fixed percentage of the average of the previous three-year positive annual gross income.

**Capital Planning Models:** Capital Planning models are used to determine future capital requirements taking into account the business plans as well as stress tests outcomes.

**Scorecard Assessment:** Here, probability of the threat and the estimated impact is assessed as outlined under Risk Quantification below.

**Stress Test:** This approach is used for assessing the impact of concentration risk, collateral valuation risk, credit spread – price shock risk, interest rate risk and strategic risk. Stress test models have been used to determine outcomes of severe and plausible stress scenarios, which form the basis for the capital assessment.

**Immaterial:** A risk is deemed immaterial if it is assessed to have an impact of £10,000 or less or has been assessed in conjunction with another risk and has been discounted to avoid duplication and double counting.

### 3.3 Risk management structure and organisation

See above.

The various Board and Management committees constituting the formal structure for Risk Management are:

#### a) Board Risk and Compliance Committee (BRCC)

The BRCC is responsible for:

- Reviewing the risk appetite statements proposed by the Management Risk Committee;
- Ensuring that they are appropriate for the effective operation of the Bank;
- Recommending risk appetite statements to the Board for approval;
- Reviewing the firm's overall risk framework and ensuring that it is appropriate for the Bank's activities; and
- Considering and approving exposures over the limits delegated to the firm's management team.

The BRCC usually meets four times per year.

#### b) Board Audit Committee (BAC)

The BAC is responsible for ensuring the quality and effectiveness of the Bank's internal controls by receiving assurance reports from Internal Audit and the external auditors.

The BAC usually meets four times per year.

#### c) Board HR Appointment and Remuneration Committee (HRARC)

The HRARC is responsible for ensuring the Bank complies with all relevant employment law and regulations including the remuneration code.

The HRARC usually meets four times per year.

#### d) Executive Committee (ExCo)

ExCo is responsible for the day-to-day management of the Bank and therefore will ensure that risks are identified, controlled, and reported. ExCo will also facilitate the desired risk culture across the Bank's staff and operations.

The ExCo usually meets fortnightly.

#### e) Credit Committee (CC)

The CC is responsible for the implementation of credit policies and for the approval of routine credit facilities within its credit approval and provisioning limits, as delegated by the BRCC.

The CC meets on a weekly basis.

**f) Assets and Liabilities Committee (ALCO)**

ALCO will manage and monitor the assets and the liabilities and the capital and liquidity of the Bank to ensure that they are within the Bank's risk appetite and consistent with the approved ICAAP and ILAAP where appropriate. ALCO will also consider, review and alter key interest rates for the Bank's assets and liabilities.

The ALCO meets a minimum of once per month.

**g) Financial Crime Risk Committee (FCRC)**

The FCC is responsible for reviewing and approving the Bank's high-risk clients including correspondent relationships and overseeing the monitoring of all transactions through the Bank with respect to financial crime risk.

The FCC meets a minimum of once per month.

**h) Operational and Conduct Risk Committee (OCRC)**

The Committee is responsible for overseeing the operational risk profile (including operational resilience and conduct), recommending mitigations and escalating matters outside appetite to the MRC.

It is also responsible for ensuring that the Bank operates in a manner, which is not detrimental to customers and is in accordance with all relevant laws and best practices; with the culture of the organisation designed to reflect the spirit of best practice and correct customer outcomes.

The Operational and Conduct Risk Committee usually meets every two months.

**i) Business Committee (BC)**

The Business Committee is responsible for overseeing the achievement of the Board approved budget and business strategy. This includes, but is not limited to, the review of financial performance and pipelines, the identification of adverse variances, and the agreement of plans to get back on track.

The Business Committee is also responsible for prioritising strategic initiatives and overseeing their implementation. This includes ensuring coordination across the Bank to ensure timely delivery in accordance with agreed timescales.

The Business Committee meets once a month.

**j) Management Risk Committee (MRC)**

The MRC has responsibility for the design, implementation and oversight of the risk management framework which enables the risks to be controlled within the risk appetite and reported upon to the Board. The MRC ensures that risks are being actively managed, with the appropriate controls in place and working effectively.

Main responsibilities of the committee include:

- Determine, regularly review and implement the Risk Management Framework;
- Determine the resources to be applied to risk management;
- Embed a positive approach to risk management throughout the Bank;
- Routinely review risk management information and reports;
- Ensure that the Board remains appropriately informed;
- Arrange for independent reviews of the Bank's risk management; and
- Review and make recommendations to the Board for any changes in policies.

The MRC meets once a month.

## 3.4 Risk reporting

### 3.4.1 General

Actual risk exposure will be monitored against the defined appetite/tolerance. New risks and changes in risks are reported at the appropriate management committee with explanations and reasons. The results of this monitoring will be reported to the Board.

This will permit the Board to gain assurance that risks within UBL UK are being properly managed and reported. The reports will also allow the Board to review and assess whether the defined risk appetite/tolerance remains appropriate, particularly as strategic objectives are progressed and the Bank's risk profile changes.

External audits also provide assurance to the Board that risks material to the financial statements are managed and reported upon.

### 3.4.2 Incident reporting

All staff are responsible for reporting any incidents / potential incidents that could result in a loss for the Bank.

The events are escalated in accordance with criteria set out in our Operational Risk Policy.

The respective business unit is responsible for investigating the root cause of an event, considering mitigating actions where appropriate or recommending the acceptance of the underlying risk.

The OCRC reviews the operational risk events and issues on a monthly basis and the BRCC does the same on a quarterly basis.

On an annual basis, all staff are required to confirm that all incidents that they are aware of have been duly reported.

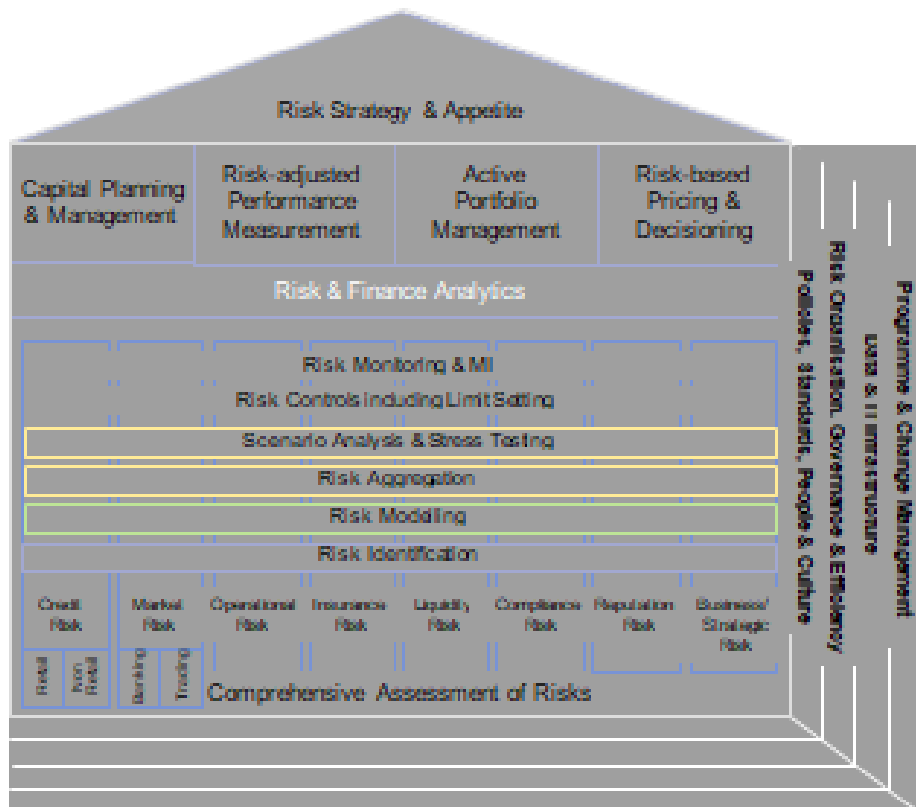
### 3.4.3 Business area risks

Managers monitor the risks within their business area. Where a risk crystallises or increases materially, it should be immediately escalated to the CRCO.

### 3.4.4 Key business risks

We use the following classification of key risk areas.





### 3.5 Risk crystallisation / new risks

Any new risk or a risk that has crystallised will be reviewed by the CRCO in consultation with the CEO and the relevant member of the ExCo as they arise. Immediate remedial action and / or mitigating action will be considered and implemented. Any new risks will be added to the relevant risk register.

### 3.6 Reports to the Board

The Operational Risk team will:

- Consolidate and update the risk registers;
- Review and consolidate all risk reports;
- Review and investigate the incident log; and
- Write a risk report to include:
  - All items of significance
  - Highlight risks that have changed in the intervening period
  - Highlight any new risks
  - Report on the risk monitoring and reporting throughout the Bank.

The Board Risk and Compliance Committee and Board will receive an update on:

- The key risk register;

- The incident log;
- Risk report.

On an annual basis, the Board of Directors will

- Review the business plan and brainstorm on key enterprise risks to the objectives defined in such plan

### 3.7 Risk quantification (excluding stress tests)

Risk is first assessed on its probability (likelihood) and impact (severity) using a scorecard method (or equivalent) as defined in the Operational Risk Policy.

### 3.8 Risk aggregation and capital allocation method

Capital is allocated according to estimates, which are assessed by the relevant risk owners.

Although estimates are based on current and past experience, these are further weighted according to their potential volatility i.e. the margin of possible error

In arriving at an overall capital allocation, capital assessments are aggregated for all risks. It is reasonable to assume that in any one year, not all threats will materialise (although care must be taken to recognise any risks that are correlated).

As noted above, in the risk assessment process the likelihood of a threat is expressed in terms of its expected frequency. An event may have a £100,000 impact, but if it is expected to occur once in 10 years, the 'average impact' spread over the 10 years is only £10,000.

Of course, in reality, the risk either does or does not materialise in any one year. Furthermore, some years may well suffer a higher than average number of occurrences than would be expected according to the statistical averages. For this reason, the 'average impact' must be further weighted to consider these factors.

Low probability risks are given the highest weightings, since their unexpected occurrence will be far greater than the average. Any estimated costs that are expected to occur in the year will require no additional weighting, since their 'average impact' is in fact the same as the full assessment.

### 3.9 Stress testing

Not all risks can be readily assessed as described above. For assessing the impact of concentration risk, collateral valuation risk, credit spread – price shock risk, interest rate risk, market risk and strategic risk, stress test models have been used incorporating a set of assumptions based on severe and plausible scenarios.

Stress tests are also used to consider the impact of stressed conditions on meeting future capital requirements.

### 3.10 Internal Audit

The primary role of Internal Audit is to help the Board to protect the assets, reputation and sustainability of the organisation by:

- Identifying risks, performing risk assessments and evaluating the effectiveness of controls to mitigate those risks;
- Providing independent assurance to the Management and the Board whether risks are adequately controlled and are appropriately reported by to the Management and the Board;

Follow up, validate corrective actions taken by the Management to resolve any gaps identified by Audit, and report the progress of the implementation of the corrective action plans to the Board. The Bank's Internal Audit function will achieve this through the following core responsibilities:

- To propose to the Board Audit Committee, a risk based annual audit plan based on its understanding (after discussion with management) of the significant risks or potential risks to which the organisation is or could be exposed;
- To carry out audits of functions and processes in accordance with the annual audit plan and any additional special engagements requested by the management, Board or the regulators;
- To assess the adequacy and effectiveness of the controls in the functions and processes audited and to issue recommendations for where and why improvements are required as a result of audit work carried out;
- To verify compliance with those recommendations; and
- To report to the BAC in relation to Internal Audit matters.

In addition to the above, Internal Audit also provides feedback and challenge on the effectiveness of the Bank's control framework through attendance at relevant governance committees and through management meetings.

### 3.11 Risk statement

The Bank's Risk Appetite Statement is provided in Appendix II. The Board has approved this and it describes the risk appetite and how this feeds into the Bank's overall strategy. The Board maintains a risk appetite, which is regularly monitored with formal reviews of the risk measures in conjunction with the long term planning process.

### 3.12 Key risks

The Bank sees its key risks as being:

- **Credit and Counterparty Credit Risk** - the potential risk that arises from customers (or counterparties) failing to meet their obligations as they fall due. The ExCo has formed the Credit Committee which is responsible for the oversight of credit risk. The members of this are the CEO, Chief Business Officer (CBO), CRCO, Senior Credit Risk Manager and Senior Credit Manager. For facilities in excess of its mandate, the approval of the Board Risk and Compliance Committee is sought. Exposures are monitored daily and appropriate action taken should a credit limit be breached.
- **Money Laundering and Counter Terrorist Finance** - Ensuring that the Bank is not used for the purposes of money laundering or funding terrorism with the ensuing risk of regulatory censure, fine

or personal prosecution. The Bank has established a Financial Crime Committee to cover issues arising from these risks, under the chair of the CRCO. This committee meets monthly and includes business heads and the MLRO.

- **Operational Risk** - the risk of loss arising from failed or inadequate internal processes or systems, human error or other external factors. The risk is managed by individual business areas that have responsibility for putting in place appropriate controls for their business.

Each business area has an appointed risk owner and accountable executive who co-ordinate control and risk assessments on a regular basis. The CRCO and the Operational Risk team lead this process.

In order to ensure the Bank has sufficient capital to cover these operational risks the Bank also maintains a range of insurance policies to cover eventualities such as business interruption, loss of computer systems, crime etc.

- **Interest rate risk** - arises from imperfect matching of different interest rate features, re-pricing dates and maturities of mortgages, savings and wholesale products. The Bank manages this exposure on a continuing basis, within limits set by the ALCO using a combination of on and off-balance sheet instruments.

The sensitivity to changes in interest rates affects the following activities:

- a) Management of the investment of reserves and other net non-interest bearing liabilities;
- b) Fixed rate savings products and fixed rate funding;
- c) Fixed and capped rate lending and fixed rate treasury lending.

We manage these risks by monitoring the gaps, which arise within different time buckets. In addition, interest rate swaps (IRS) are used to manage the risk arising from a net exposure to an interest rate basis type. For example, Bank of England base rate or SONIA.

The Bank monitors its interest rate risk position on a regular weekly basis, applying the the six standard stress scenarios as defined in the PRA Rulebook (ICAA, section 9).

- **Liquidity Risk** – the risk that the Bank will encounter difficulty in meeting its obligations arising from its financial liabilities. The Bank's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding in order to maintain the solvency of the Bank and to enable the Bank to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, through moderate wholesale funding, and through management control of the growth of the business.

The Bank principally funds its lending through its retail deposits.

The Bank maintains assets in liquid form in such proportion and composition as will (at all times) enable it to meet its liabilities as they fall due (including any unexpected adverse cash flow). To this end the Bank monitors its liquidity position against a series of stress tests which apply potential outflows based on a series of idiosyncratic and/or market wide stressed positions.

In accordance with CRD IV, the Bank maintains a significant level of high quality liquid assets (HQLA) – usually in the form of UK and US Government Debt. As at 31 December 2024, the Bank held HQLA amounting to £173m.

- **Reputational Risk** - Reputational risk is the risk to earnings, liquidity or capital arising from negative market or public opinion. Management has considered how this might arise and what the impact could be. The consequences would adversely impact the future prospects of the Bank and could expose the Bank to litigation and financial loss. Reputational risk is inherent across the Bank. Senior Management manage this risk in the following ways:
  - By maintaining and investing in its control structures;
  - By a continued focus on customer outcomes;
  - By promoting the Bank through marketing and external communications; and
  - Through the Risk Management Framework which has reputational risk as a key consideration.
- **Cyber Security Risk** - Cybersecurity involves safeguarding computer systems, networks, and data from unauthorized access, cyber threats, and attacks. Through the implementation of measures such as firewalls, encryption, multi-factor authentication, and security protocols, we ensure the security, confidentiality, integrity, and availability of our digital assets. We have also taken steps to detect breaches by deploying technology specifically designed to identify ransomware activity and automate defence handling. Given the ever-evolving nature of cybersecurity threats, we continuously monitor and assess our strategies to further enhance our defences, particularly with the support of our external Security Operations Centre (SOC).
- **Climate risk** - Our climate risk approach identifies two primary drivers of climate risk:
  - **Physical risk**, arising from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or from chronic, gradual shifts in weather patterns or rising sea levels.
  - **Transition risk**, arising from the process of moving to a net-zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by changes in stakeholder expectations, actions, or inaction.

In addition, we have identified the following thematic issues related to climate risk, which are likely to materialize as reputational, regulatory compliance, and litigation risks:

- **Net zero alignment risk**, which arises from the possibility of the Bank failing to meet any net-zero commitments or external expectations related to net-zero due to inadequate ambition or plans, poor execution, or an inability to adapt to changes in the external environment.
- **The risk of greenwashing**, which arises from making inaccurate, unclear, misleading, or unsubstantiated, claims regarding sustainability to our stakeholders, whether knowingly or unknowingly.

Further detail is contained in Section 6 onwards with an expanded list of the risks faced by the Bank is shown in Appendix IV.

## 4 Own Funds

BGFSL, a wholly owned subsidiary of Bestway Group, is now the majority shareholder from July 4, 2024 after regulatory approval. BGFSL is a diversified multinational business with annual turnover in excess of £4.5 billion.

The table below shows the breakdown of UBL UK's capital resources:

<b>Type of Capital</b>	<b>31-12-2024</b>	<b>31-12-2023</b>
<b>Common Equity Tier one capital</b>		
Paid up capital instruments	£45,000,000	£45,000,000
Retained earnings	£45,830,760	£38,378,978
Accumulated other comprehensive income	£14,098,991	£8,777,797
<b>Sub-Total</b>	<b>£104,929,751</b>	<b>£92,156,775</b>
<b>Deductions for non-qualifying items</b>		
Deferred tax	£(6,276,157)	£(3,099,521)
Intangible assets	£(153,494)	£(157,144)
Pension Asset	£(552,000)	£(340,600)
<b>Common Equity Tier 1 capital</b>	<b>£97,948,100</b>	<b>£88,559,510</b>
Additional Tier 1 capital	-	-
<b>Tier 2 capital</b>		
General credit risk adjustments <sup>1</sup>	£706,593	£444,874
<b>Total Tier 2 capital</b>	<b>£706,593</b>	<b>£444,874</b>
<b>Total regulatory capital <sup>2</sup></b>	<b>£98,654,693</b>	<b>£89,004,384</b>

**Common Equity Tier 1 capital** comprises of the permanent paid up capital instruments, retained earnings and the fair value reserve resulting from the revaluation of property and investments. This is the core capital of the Bank and acts as a buffer to absorb losses to protect depositors and other creditors of the Bank.

**Tier 2 capital** is the supplementary capital and currently comprises just the collective impairment provision for the known but individually unidentified impairment of its loan portfolio.

<sup>1</sup> The total collective credit provision recognised in the balance sheet is permitted to be included as Tier 2 capital.

<sup>2</sup> A reconciliation of the regulatory capital to the balance sheet is shown in Appendix III.

## 5 Compliance with CRD IV and Capital Adequacy

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### 5.1 Capital requirements framework

In order to protect the solvency of the Bank, the Bank holds internal capital resources to absorb unexpected losses. The capital held is determined by the regulators guidance.

The Capital Framework as applicable to the Bank business model is described below.

**Pillar 1** sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk.

**Pillar 2A / Individual Capital Guidance (ICG)** sets out requirements on firms with regard to their internal capital adequacy assessment processes (ICAAPs), internal procedures and control mechanisms. The PRA requires that firms should meet Pillar 2A with at least 56% Common Equity Tier 1 (CET1).

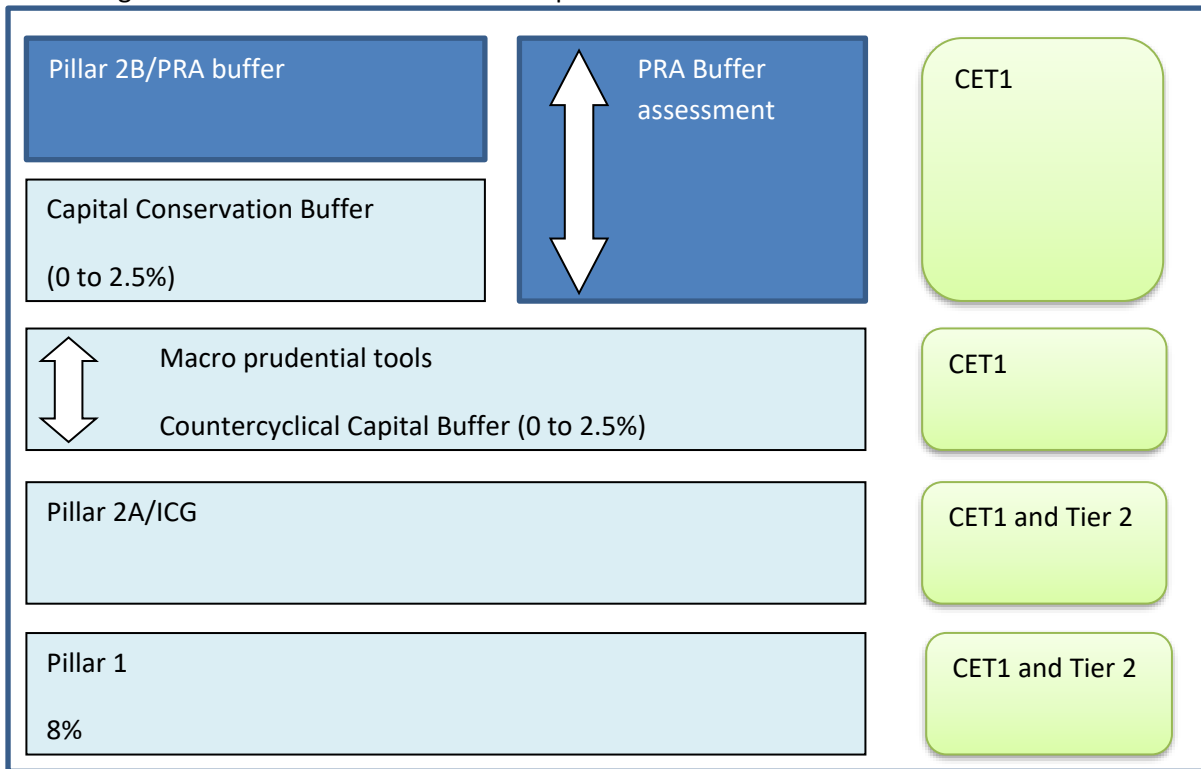
**Pillar 2B/PRA Buffer** is designed to be available to absorb losses and/or to cover increased capital requirements in adverse circumstances that are outside the firm's normal and direct control. The Pillar 2B is set at a level that enables a firm to meet all relevant capital ratios specified in the supervisory framework at all points in the economic cycle.

**Countercyclical Buffer (CCyB)** is intended to protect the banking sector against losses that could be caused by cyclical systemic risks. The CCyB requirement requires banks to add capital at times when credit is growing rapidly so that the buffer can be reduced when the financial cycle turns. Banks can use the additional capital buffers they have built up during the growth phase of the financial cycle to cover losses that may arise during periods of stress and to continue supplying credit to the real economy. The amount of buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which banks have a credit exposure. The Financial Policy Committee (FPC) is responsible for setting the CCyB rate that applies to UK exposures.

**Capital Conservation Buffer (CCB)** - the purpose of this buffer is to enable firms to absorb losses in stressed periods. A capital conservation buffer of 2.5 per cent, comprised of Common Equity Tier 1 capital, is required to be maintained above the regulatory minimum capital requirement.

**Buffer for Global Systemically Important Banks (G-SIBs)** - the PRA is responsible for setting this buffer and also for identifying UK institutions which meet the definition of a G-SIB. Due to its size UBL UK is not considered to be of global systemic importance and is therefore outside the scope of this buffer.

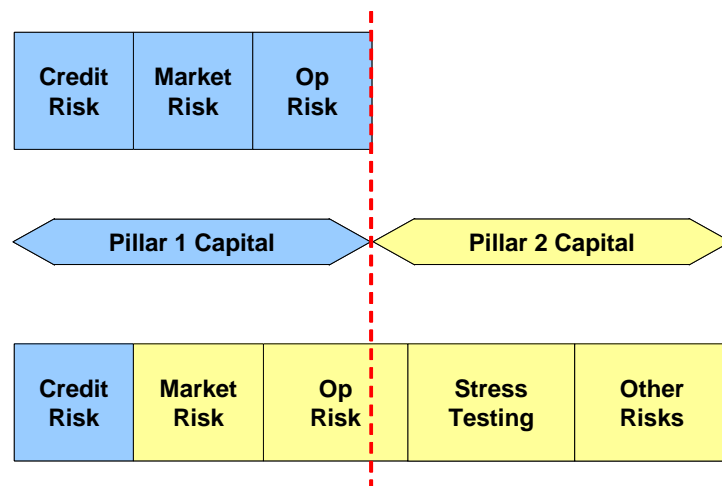
The diagram below illustrates the revised capital framework:



\* The Systemic buffer (O-SII) is not shown above, as it is not applicable to UBL UK and is only applicable to systemically important institutions.

## 5.2 Assessment of Pillar 1 and Pillar 2 capital requirement

The diagram below illustrates the approach taken to formulate the Bank's internal Pillar 1 and Pillar 2 capital requirements:



The boxes in blue represent the minimum regulatory allocations of capital for credit and counterparty credit risk, market risk and operational risk i.e. Pillar 1 Capital. The boxes in yellow represent the Bank's own capital assessments for market risk, operational risk, stress testing and other risks.

- Credit and Counterparty Credit Risk:** The Pillar 1 minimum capital requirement for credit risk, based on the Basel III framework under the Standardised Approach, is taken as the starting point in considering what internal capital may be required. The internal capital assessment includes



consideration as to whether the Pillar 1 capital calculation fully captures the credit risk faced by the Bank.

- **Market Risk:** UBL UK operates only a small trading book (defined as normally less than 5% of total assets and £44million) but in terms of the regulatory framework, is required to hold capital against market risk in the banking book to cover foreign currency risk. The Bank's own assessment of market risk covers foreign exchange rate risk and interest rate risk.
- **Operational Risk:** Basel III sets out a simple means to calculate Pillar 1 capital required to meet operational risk requirements. Under the Basic Indicator approach (followed by the Bank) this is 15% of the Bank's average operating income taken over the last 3 years. The Bank's own assessment of operational risk covers all material risks that do not fall into the other elements shown in the diagram.
- **Stress Testing:** This element covers risks that have been assessed from stress tests and for which the Bank believes that Pillar 1 has not adequately captured their potential capital requirements. These are: concentration risk, strategic risk, interest rate risk in the banking book, collateral valuation risk, market risk for the price movement in the investment portfolio and other business risk.
- **Other Risks:** This element refers to the Bank's own assessment of pension obligation risk.
- **Pillar 2 Capital** is the Bank's internal capital assessment over and above Pillar 1 credit, market and operational risk capital requirements. This is arrived at by simply deducting the regulatory Pillar 1 capital requirement (shown in blue in the above diagram) from the Bank's overall internal assessment (shown in yellow above).

### 5.3 Pillar 1 capital requirements

The table below shows the overall exposures, capital requirement and risk weighted assets of the Bank under the adopted Standardised Approach.

The Bank's Pillar 1 capital requirement is based on 8% of its risk-weighted assets. The Bank uses credit ratings obtained from three rating agencies (Fitch, Moody's and S&P) in order to arrive at the risk weights necessary to calculate the risk-weighted values for its exposures to rated institutions. Where an institution is not rated by any of these three agencies, the Bank uses its internal assessment to rate the institution. The Bank's other exposures are to unrated entities. The exposures, capital requirements and risk-weighted assets within each exposure class at 31 December 2024 were:

Minimum Capital Requirement (8%)	Exposure £000s	RWA £000s	Capital Requirement £000s
Central government or central banks	142,358	2,717	217
Regional governments or local authorities		-	
Public Sector Entities		-	
Multilateral Development Banks	11,364	-	-
International organisations	-	-	-
Institutions	31,514	6,305	505
Corporate	20,826	27,792	2,223

Minimum Capital Requirement (8%)	Exposure £000s	RWA £000s	Capital Requirement £000s
Retail	-	-	-
Secured by mortgages on immovable property	1,040,296	374,777	29,982
Exposures in default	7,627	7,631	610
Items associated with particular high risk		-	
Covered bond	21,314	2,131	170
Claims on institutions and corporates with a short-term credit assessment	-	-	-
Collective Investments undertakings	-	-	-
Equity	-	-	-
Other items	35,659	35,544	2,844
<b>Credit and Counterparty Credit Risk Minimum Capital Requirement</b>	<b>1,310,958</b>	<b>456,897</b>	<b>36,551</b>
Credit and Counterparty Credit Risk (Standardised)	<b>1,310,958</b>	<b>456,897</b>	<b>36,551</b>
Market Risk (Position Risk Requirement)	-	-	-
Credit Valuation Adjustment Risk (Simplified Method)	438	311	25
Operational Risk (Basic Indicator Approach)	-	35,945	2,875
<b>Pillar 1 Capital Requirement</b>	<b>1,311,396</b>	<b>493,153</b>	<b>39,451</b>

The Bank has assessed the required Capital Planning Buffer (CPB) going forward. The CPB is identified so that it can be used to absorb losses and/or to cover increasing capital requirements in adverse circumstances that are outside the Bank's normal and direct control. The Bank has projected its capital resources and capital requirements over a three-year horizon, incorporating the impacts of stressed conditions to assess movements in capital resources and capital requirements in adverse circumstances. On the basis of these stressed capital projections, the Bank has not identified a need to raise capital to cover both the planned growth over the next four years and to meet the additional requirement arising should adverse circumstances materialise that are outside the Bank's normal and direct control.

The Bank will ensure that it will continue to comply with the PRA and other regulatory capital requirements. On an annual basis, the Bank will ensure that growth is limited to the level supported by the existing capital.

## 5.4 Internal Capital Adequacy Assessment Process (ICAAP)

The Board has ultimate responsibility for the Bank's capital management and capital allocation. Ongoing monitoring of compliance with its regulatory requirements also takes place via the ALCO, which considers the adequacy of the Bank's capital position.

The Bank undertakes a comprehensive formal assessment of its capital adequacy at least on an annual basis, and additionally when considered necessary in the light of changes in market or specific UBL UK circumstances, including strategic decisions in respect of the product set offered by the Bank.

The ICAAP is an assessment by the Bank, approved by the Board, of the level of capital that it believes is required in respect of the principal risks to which it is exposed in the execution of its business plan. The Bank uses a range of modelling, scenario analysis and stress testing techniques, which it considers appropriate to the scale and nature of the Bank's activities in order to identify the capital levels required and compares these to the Pillar 1 minimum amounts. These techniques include an evaluation over the medium term planning horizon of the adequacy of the Bank's capital position even under a range of relevant extreme but plausible stressed conditions.

The ICAAP is subject to rigorous review and challenge by both the executive management team and the Board. The report is submitted to the Bank's prudential regulator, which will periodically revisit the Individual Capital Guidance requirements for the Bank in the light of the most recent ICAAP and the regulator's own supervisory processes.

## 5.5 Capital adequacy

In accordance with CRD IV rules for determining capital requirements as promulgated by the EU, the Bank has at all times complied with the revised rules. Under CRD IV the Bank continues to adopt the Standardised Approach to credit and counterparty credit risk, the Basic Indicator approach to operational risk and position risk requirement for market risk to calculate the Pillar 1 minimum capital requirement.

The PRA in their capacity as supervisors set targets for, and monitor, the capital adequacy of the Bank. Capital adequacy returns are submitted quarterly to the Regulators.

As at 31 December 2024, and throughout the year, the Bank's capital (or 'Own Funds') exceeded its minimum regulatory requirement.

## 6 Principal Risks

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The principal risks that the Bank is exposed to are as follows:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk (including Conduct Risk)
- Reputational Risk

Details on each principal risk are provided below.

### 6.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, sector and country concentration risk).

The Board of Directors has delegated responsibility for the management of credit risk as well as other risks to the Board Risk and Compliance Committee. The main duties of the Board Risk and Compliance Committee are:

- To ensure that the systems, policies and procedures for the identification, evaluation, management and monitoring of risks are carried out;
- To determine the policies and principles that govern the identification and evaluation of risks as well as the procedure for their management;
- To ensure that the Senior Management fully understands and applies the desired levels of risk taking, as specified by the Board of Directors in the Risk Appetite Statement and also that the personnel understands and applies the risk taking and management policy and that excessive risk taking is not encouraged;
- To review the Capital Management Policy and recommend it to the Board of Directors;
- To ensure that the internal risk management framework and the procedures for risk management in the decision-making process are carried out for all the activities of the Bank;
- To evaluate annually, based on the report of the Risk Department, the adequacy and effectiveness of the risk management policy and the appropriateness of risk limits, the adequacy of provisions, and in general the adequacy of own funds in relation to the level of undertaken risks;
- To review and propose to the Board, the Bank's liquidity, capital and other risk appetite statements;
- To ensure that stress tests and related procedures are carried out as appropriate on all major risks, at least on an annual basis and, where necessary to challenge the appropriateness of limits and the adequacy of capital in relation to budgets; and to communicate the results to the Board;

- To review, evaluate and recommend to the Board for approval the Internal Capital Adequacy Assessment Process report (ICAAP), which aims to evaluate the important risks undertaken by the Bank;
- To review, evaluate and recommend to the Board for approval the Internal Liquidity Adequacy Assessment Process report (ILAAP), which aims to evaluate the important liquidity risks undertaken by the Bank;
- To ensure that the risk profile of the Bank is in line with the risk appetite, and capital planning and to make any relevant recommendations to the Board;
- The approval of credits and credit provisioning up to a level set by the Board, the approval of credit policy, amendments and deviations thereto. To consider and recommend to the full Board for approval credits and credit provisioning in excess of its limit;
- The approval of the Credit Policy Handbook and all amendments thereto; and
- The review and recommendation to the Board where required of all lending policies.

The Bank mitigates credit risk by:

- Focusing on business sectors it knows well or has an established connection.
- Limiting the size of exposures to any particular entity / group.
- Limiting the aggregate size of exposures to any particular sector and country.
- Obtaining security cover and where appropriate personal guarantees for the exposure.
- Regularly reviewing the credit risk grading of each exposure.

The table below shows the Bank's maximum exposure to credit risk, by class of financial instrument:

	31-12-2024		31-12-2023	
	Carrying Value £000s	Maximum Exposure £000s	Carrying Value £000s	Maximum Exposure £000s
Cash and balances with central banks	8,271	8,271	9,725	9,725
Loans and advances to banks	22,616	22,616	13,576	13,576
Loans and advances to customers	1,032,355	1,036,448	718,598	718,598
<b>Investments:</b>				
Held-to-maturity	-	-	-	-
Available for sale	178,309	178,309	138,343	138,343
<b>Derivative financial assets:</b>				
Currency forwards	-	-	-	-
Undrawn commitments (incl. overdraft limits)	-	51,120	-	23,386
<b>Total</b>	<b>1,241,551</b>	<b>1,296,764</b>	<b>880,242</b>	<b>903,628</b>

The table below shows the undiscounted cash flows on the Company's financial assets based on their earliest possible contractual maturity:

Residual contractual maturities of financial instruments as at 31 December 2024	Less than 1 month £'000	More than one month but less than three months £'000	More than three months but less than one year £'000	More than one year but less than five years £'000	More than five years £'000	Total £'000
Cash and balance with central banks	8,271	-	-	-	-	8,271
Loans and advances to banks	22,655					22,655
Loans and advances to customers	18,525	86,746	170,531	909,309	12,048	1,197,159
Debt securities	47,790	49,415	50,581	22,421	24,167	194,374
<b>Total</b>	<b>97,241</b>	<b>136,161</b>	<b>221,112</b>	<b>931,730</b>	<b>36,216</b>	<b>1,422,459</b>

Residual contractual maturities of financial instruments as at 31 December 2023	Less than 1 month £'000	More than one month but less than three months £'000	More than three months but less than one year £'000	More than one year but less than five years £'000	More than five years £'000	Total £'000
Cash and balance with central banks	9,725	-	-	-	-	9,725
Loans and advances to banks	13,605	-	-	-	-	13,605
Loans and advances to customers	20,248	21,099	139,015	616,195	18,277	814,834
Debt securities	32,218	49,242	28,093	18,849	19,155	147,557
<b>Total</b>	<b>75,796</b>	<b>70,341</b>	<b>167,108</b>	<b>635,044</b>	<b>37,432</b>	<b>985,721</b>

The table below shows the breakdown of the Bank's on-balance sheet credit exposure categorised by the degree of risk of financial loss:

	Debt Securities		Loans and advances	
	2024 £'000	2023 £'000	2024 £000's	2023 £000's
Carrying amount	178,309	138,343	1,054,971	732,173
Impairment – collective provision			(707)	(445)
<b>Individually impaired:</b>				
Doubtful	-	-	7,627	14,038
Impairment - specific	-	-	-	-
<b>Carrying Amount</b>	<b>-</b>	<b>-</b>	<b>7,627</b>	<b>14,038</b>

<b>Past due but not impaired:</b>				
Up to 30 days past due	-	-	31,790	21,821
31 - 60 days	-	-	1,961	14,542
61 – 90 days	-	-	63	110
91 days +	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>33,814</b>	<b>36,473</b>
<b>Neither past due nor impaired:</b>				
Low to Fair risk	173,224	123,358	994,340	657,573
Watchlist	5,085	14,985	23,282	26,733
<b>Carrying amount</b>	<b>178,309</b>	<b>138,343</b>	<b>1,017,622</b>	<b>684,306</b>

### 6.1.1 Impaired loans

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. In circumstances where the current realisable value of the security held by the Bank will not sufficiently cover the exposure, then a specific provision will be raised to cover the expected loss.

The table below shows the impaired exposures by sector as at 31 December 2024.

	<b>Impaired Exposures 2024 £'000</b>	<b>Specific Provisions 2024 £'000</b>	<b>Impaired Exposures 2023 £'000</b>	<b>Specific Provisions 2023 £'000</b>
Real estate - buy, sell, develop and letting	2,951	-	11,985	-
Financial	-	-	-	-
Others	-	-	370	-
Individuals	4,676	-	1,683	-
<b>Total</b>	<b>7,627</b>	<b>0</b>	<b>14,038</b>	<b>0</b>

The table below shows the impaired exposures by geography as at 31 December 2024.

	<b>Impaired Exposures 2024 £'000</b>	<b>Specific Provisions 2024 £'000</b>	<b>Impaired Exposures 2023 £'000</b>	<b>Specific Provisions 2023 £'000</b>
Great Britain	7,627	-	14,038	-
Europe	-	-	-	-
Africa	-	-	-	-
Middle East	-	-	-	-
<b>Total</b>	<b>7,627</b>	<b>0</b>	<b>14,038</b>	<b>0</b>

### 6.1.2 Past due but not impaired

Loans where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate because of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

### 6.1.3 Allowances of impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component is a specific loss provision that relates to individually significant exposures and represents the amount remaining after deducting the expected discounted cash flows from the outstanding loan principal and accrued interest at the balance sheet date.

### 6.1.4 Write-off policy

The Bank will write off a loan balance (and any related allowances for impairment losses) when the BRCC determines that the loans are uncollectible.

This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property and liens over cash deposits. Collateral is not held over loans and advances to banks. The table below shows a breakdown of the credit exposure by collateral type.

	Loans and advances to customers		Loans and advances to banks	
	31-12-2024 £000's	31-12-2023 £000's	31-12-2024 £000's	31-12-2023 £000's
<b>Individually impaired</b>				
Residential property secured	7,627	14,038	-	-
Unsecured	-	-	-	-
Other	-	-	-	-
<b>Past due but not impaired</b>				
Residential property secured	33,814	36,473	-	-
Unsecured	-	-	-	-
Other	-	-	-	-
<b>Neither past due nor impaired</b>				
Residential property secured	986,508	649,009	-	-
Unsecured	31,114	35,297	-	-
Other	-	-	-	-
Impairment allowances (specific and collective)	(706)	(445)	-	-
Unamortised portion of loan fees	(3,332)	(2,198)		
<b>Loan Portfolio hedging</b>				
Fair value of hedged risk	(55)	-		
<b>Carrying amount</b>	<b>1,054,971</b>	<b>732,174</b>	<b>-</b>	<b>-</b>



The average loan to value ratio for customer loans secured by property is 63.7% (2023: 65.4%); calculated by dividing the balance owed to the Bank by the latest valuation held for the property. The Bank will seek to dispose of property and other assets obtained by taking possession of collateral and converting into cash as rapidly as the market for the individual asset permits.

### 6.1.5 Forbearance policy

The Bank periodically assesses whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. In conducting this assessment, management takes account of any forbearance arrangements it has with its customers. The Bank has a detailed Forbearance Policy and as part of the arrears management process, the Bank will consider providing a forbearance facility to the borrower after considering each case and analysing it based on its own merits and the specific circumstances of the borrower. The primary aim of providing a forbearance facility to a borrower is to enable the complete recovery of the debt through the full repayment of arrears. Where the circumstances of the borrower mean that this primary aim is not achievable, the secondary aim is to recover the customer into a 'sustainable terms' position on their debt. In all cases, the provision of forbearance aims to minimise the risk of the borrower ultimately defaulting on their debt and losing their security.

### 6.1.6 Movement in the bad debt provision

The table below shows the movement in the bad debt provision:

	31-12- 2024 Specific	31-12-2024 Collective	31-12-2024 Total	31-12-2023 Total
<b>At 1<sup>st</sup> January</b>	-	<b>444,874</b>	<b>444,874</b>	<b>1,302,101</b>
Charge/(credit) to Profit and Loss	-	261,719	261,719	(24,980)
Amounts written off	-	-	-	(832,247)
<b>At 31<sup>st</sup> December</b>	-	<b>706,593</b>	<b>706,593</b>	<b>444,874</b>

Collective impairment provisions reflect the estimated amount of losses incurred on a collective basis, but which have yet to be individually identified. The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The evaluation process is subject to a series of estimates and judgements.

The calculation of the collective impairment provision requires model estimates of probability of default, exposure at default and loss given default. The calculation occurs at account level and is aggregated to portfolio level for reporting purposes.

Collective impairment provisions are raised when the probability of default of a counterparty has increased relative to the probability of default at origination. The size of the collective impairment provision is a function of the model estimates.

### 6.1.7 Wrong way risk

Wrong way risk is defined as the risk that occurs when exposure to counterparty is adversely correlated with the credit quality of that counterparty. The Bank has no exposure to wrong way risk.

### 6.1.8 Investments

All the investment securities held by the Company as at 31 December 2024 were assigned an external credit rating (2023: £138.3m).

During 2024, there were no recoveries taken to profit and loss (2023: impairment of £44k) from the investment portfolio.

Below is a table showing the credit quality of debt securities that are neither past due nor impaired:

<b>Fitch ratings</b>	<b>2024 £'000</b>	<b>2023 £'000</b>
AAA	11,364	21,579
AA+	22,632	2,724
AA	-	-
AA-	117,914	73,745
A+	15,850	4,939
A-	-	15,227
A	5,464	-
BBB+	-	5,143
CCC+	5,084	-
CCC	-	14,985
<b>Total</b>	<b>178,309</b>	<b>138,342</b>

### 6.1.9 Credit risk concentration

The Bank manages credit risk concentration by setting exposure limits to groups / individual counterparties, sectors, and countries.

The Bank monitors credit risk concentration against limits daily. Any excesses, actual or potential, are notified to the Credit Committee for ratification, approval and /or recommendation to the Board Risk and Compliance Committee / Board for direction as to remedial action.

The table below summarises the sector and location concentration risk for loans made by the Bank:

Concentration by sector	Loans and advances to customers 31-12-2024 £000's	Loans and advances to customers 31-12-2023 £000's
Central and local government	446	452
Real estate - buy, sell, develop and letting	896,696	553,472
Financial	24,199	20,572
Other service industry	8,140	32,354
Individuals	125,490	125,325
<b>Total</b>	<b>1,054,971</b>	<b>732,174</b>

Concentration by location	Loans and advances to customers 31-12-2024 £000's	Loans and advances to customers 31-12-2023 £000's
Great Britain	912,417	587,412
Europe	6,841	9,551
South Asia	69,624	86,113
Rest of world	66,089	49,098
<b>Total</b>	<b>1,054,971</b>	<b>732,174</b>

#### 6.1.10 Counterparty credit risk

Counterparty Credit Risk can be defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The Bank uses over the counter (OTC) derivatives transactions to hedge exposures on foreign exchange risk and interest rate risk. The CCR mark-to-market method is used to measure exposure value and details of exposures are provided in the tables below:

#### Measure for exposure value under the CCR Mark to Market Method

Counterparty Credit Risk Exposures:	31 December 2024
-------------------------------------	------------------

CCR Mark to Market Method	£'000
Interest rate contract (Why is this blank – we had IRS notional of 66.019 m?)	-
Contracts concerning foreign currency rates and gold	3,762
Contracts concerning equities	-
Contracts concerning precious metals except gold	-
Contracts concerning commodities other than precious metals	-
<b>Total</b>	<b>3,762</b>

### Net Derivative Credit Exposure

Net Derivative Credit Exposure	31 December 2024 £'000	31 December 2023 £'000
Gross positive fair value	213	155
Less: Netting benefits	-	-
Netted current credit exposure	-	-
Less: Collateral held	-	-
<b>Net Derivatives Credit Exposure</b>	<b>213</b>	<b>155</b>

The Bank does not currently net or hold collateral, or maintain credit reserves, for the purposes of mitigating counterparty credit risk. Hence, gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivative credit exposure are not applicable to the Bank.

#### 6.1.11 Credit risk mitigation

The Bank has put policies in place, which allows the use of credit mitigation to reduce Counterparty Credit Risk. As at December 2023, the Bank has not made use of collateral.

#### 6.1.12 Credit valuation adjustment

The Bank has exposure to OTC derivatives, in the form of foreign exchange forwards and swaps, which requires us to make a credit valuation adjustment (CVA). This is defined as the difference between the risk-free portfolio value and the true portfolio value, which takes into account the possibility of a counterparty's default. As of 31 December 2024, the Pillar 1 capital requirement due to CVA was £25k (2023: £13k).

## 6.2 Market risk

Market risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in asset prices, foreign exchange rates as well as interest rates in both the trading and banking book.

In relation to the Bank, market risk arises predominantly from the overnight foreign exchange positions that the Bank maintains as part of its regular banking operations and from the interest rate risk in the banking book, which includes the investment portfolio.

The monitoring and management of market risk is the responsibility of Treasury, while the monitoring of market risk exposures is the responsibility of the Risk Department. The Board, the Board Risk and Compliance Committee, as well as the ALCO committee assume a supervisory and monitoring role in the process.

The Risk Department defines and reviews the implementation of risk policies and procedures regarding market risk. Specifically the Risk Department monitors FX, interest rate risk, and overall risk analysis of market risk exposures. Stress tests are periodically performed for the major risk factors. Major market developments, new risks undertaken, and major risk limit breaches are also analysed.

The objective of the ALCO is to derive the most appropriate strategy for the Bank, in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy.

The Risk Department is responsible for reviewing / developing and enhancing a) the market risk department policies and procedures manual and b) the market risk management methodologies manual. The manual describes the principles of managing market risk, the responsibilities of the Risk Department, the procedures for setting/approving limits and limit excesses and other relevant procedures as well as the methodologies and assumptions used in measuring the market risk exposures for limit monitoring and reporting purposes.

The Bank's policy is that the Treasury department may take small 'trading' positions in either the foreign exchange market, and/or the UK gilt market only (provided the trading book is within the de-minimis limit as expressed in the CRR).

As such, the role of the Treasury department is limited to managing the structure of the balance sheet, hedging foreign exchange and interest rate risk, and providing specific products to meet customer needs as required. As such, the Bank's market risk under Pillar 1 is limited to foreign exchange risk.

Interest rate risk in the banking book, which includes the investment portfolio, is examined and quantified under Pillar 2 where a stress test is used to quantify the impact of interest rate movements in the Banking Book.

The Risk Department is responsible for reviewing annually and setting appropriate limits in line with the defined risk appetite of the Bank, covering foreign exchange limits (spot, forward, and swap), intra-day and overnight open position limits by currency, gross forward limit, total net short position limit, permissible currencies, and permissible foreign exchange products.

Under the requirements of CRD IV, the Bank has a Liquid Assets Buffer containing qualifying securities that are readily realisable. This portfolio is designated AFS, and is therefore marked-to-market with movements in value accounted for within the investment revaluation reserve. During the last year the Bank has added other securities to its investment portfolio that do not qualify for the Liquid Assets Buffer but do provide an additional source of liquidity.

### 6.2.1 Interest rate risk

Interest rate risk is the exposure of the Bank to adverse movements in interest rates; Interest rate risk arises from holding assets and liabilities, on and off-balance sheet exposures, with different maturity dates, for fixed rate products or re-pricing dates for floating rate products.

Three sources of interest rate risk to earnings and economic value are considered:

- (a) Mismatches in the re-pricing characteristics of assets and liabilities;
- (b) Yield curve risk; and
- (c) Basis risk.

The stress test on interest rate risk is analysed based on the FSA017 return, which calculates the Net Present Value (NPV) sensitivities by re-pricing gap for +/-250bp parallel movements in the yield curve.

The analysis calculates assets and liabilities re-pricing in specific time buckets. When fixed rate liabilities in a time bucket exceed fixed rate assets in the same bucket, a 'negative gap' exists for that period, indicating that a rise in interest rates for that period would result in an increase in net interest income, while a fall in interest rates would result in a decrease in net interest income.

In addition to the standard 'Parallel Up' and 'Parallel Down' scenarios described above, we also measure the impact of the four additional stress scenarios recommended by the Basel Committee.

The table below shows the impact on income of the six interest rate risk scenarios, as at 31 December 2024:

NPV Sensitivity						
Stress Scenario:	Parallel Up	Parallel Down	Steepener	Flattener	Short Rates Up	Short Rates Down
Impact on income (£000)	-11,289	13,509	-4,783	2,521	-1,657	1,743
Impact by % of capital	12.32%	14.74%	5.22%	2.75%	1.81%	1.90%

The analysis presented includes all assets and liabilities in the banking book, which also includes the assets held under the investment portfolio.

The Bank recognises that under the Pillar 2A assessment the capital impact over a 12-month period is calculated. In the case of the Interest Rate Risk, the Bank also recognises that even though the bonds (fixed rate) mature / re-price in periods over 12 months, any movement in interest rates will have an immediate impact on the value of the holdings, and for this reason, the Bank considers the impact of an interest rate movement over the whole horizon.

Basis risk arises from the fact that financial products may use different indices for pricing purposes and those indices may move differently and thus expose the Bank to a potential loss of income.

Yield curve risk relates to changes in the shape of the yield curve and their impact on the Bank's profitability.

The Bank regularly monitors the average duration of the portfolio and the funding profile, along with market expectations of interest rate changes, to calculate the potential impact on the future net interest income of the Bank.

## 6.2.2 Foreign exchange risk

Foreign exchange risk is that arising from:

- (i) Foreign exchange deals made on behalf of customers, where significant rate movements occur before currency positions are successfully matched; and

- (ii) The effect of exchange rate movements on the valuation of the Bank's balance sheet.

Valuation risk arises from the US dollar profit and loss that is converted to sterling on a weekly basis. The potential impact is not considered material.

The policy for the management of foreign exchange risk is set out in the Bank's Market Risk Policy, approved by the Asset and Liability Committee (ALCO) and ratified by the Board. It is submitted to the Board annually, or more frequently if required, for re-approval and/or amendment.

Treasury constantly monitors the net open position, according to the procedures laid down in the Treasury Manual to ensure compliance with external and internal limits, and covers any such exposure using outright forward foreign exchange contracts.

### **Position Limits (Foreign Exchange)**

The risk appetite of the Bank has been defined and agreed by the Board as a maximum open long or short position in aggregate against GBP of up to £2.5m.

In addition, maximum intra-day exposure limits are also defined for major currency crosses (up to £3m for US\$ against sterling, Euros, Swiss francs or yen), other currencies (up to £0.5m) and in total (up to £5m for US\$ against all currencies). These intra-day limits are only to facilitate the conducting of spot FX trades where for a short period the dealer is unable to simultaneously cover the customer's order. They are not intended to provide proprietary trading positions.

A long PKR position is used to facilitate branch remittances and covering nostro balances.

There is no dealing in FX Futures, FX Options or Options on FX Futures transacted by the Bank

The Board approves FX exposure limits. The ALCO delegates the day-to-day responsibility for the management of FX exposure to the Treasury Department. New product limits and new exposure limits are formulated at ALCO, recommended to, and sanctioned by the Board. Foreign exchange positions are monitored on a daily basis.

Exposures created in foreign currency where customer funding is not available are covered by foreign exchange swaps that are transacted by the Treasury Department. The Risk Department oversee the net open foreign exchange positions of the Bank to ensure they remain within the Board's risk appetite.

As well as using derivatives to hedge foreign exchange exposure, the Bank takes exchange rate contract orders from customers and will cover these by entering into similar positions with third parties.

## **6.3 Pension obligation risk**

The Company operates a defined benefit scheme for staff. This scheme is closed for new members and the future accrual of benefits ceased from 1 January 2010. A defined benefit plan defines the pension benefit that the employee will receive on retirement usually dependent upon several factors including age, length of service and remuneration. In respect of the defined benefit plan, the Company recognises its obligations to the members of the plan at the period end, less the fair value of the plan assets.

The FRS 102 valuation of the pension scheme's assets and liabilities for the 2024 year-end has shown a surplus of £0.7m (2023: surplus of £0.5m). This was primarily caused by increase in long-term interest rates, which has decreased the value of the defined benefit obligations.

## 6.4 Liquidity risk

Liquidity risk is the risk that a company will encounter difficulty in meeting the obligations arising from its financial liabilities.

The policy of the Bank is to always maintain sufficient liquidity to meet all known and likely demands, which its customers could make upon it and ensure that such liquidity is available on a day-to-day basis. In terms of 'survival period' (the amount of time that the Bank can operate during a period of stress before running out of liquidity resources), this should be no less than 3 months.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The liquidity position of the Bank is monitored daily, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The Bank's Treasury Department is responsible for maintaining sufficient liquidity to meet the Bank's obligations and to meet the specific liquidity requirements of the UK supervisory authorities. The key measure used by the Bank for managing liquidity risk is the Liquidity Coverage Ratio (LCR). This shows the stressed behaviourally adjusted net outflow over a 30-day horizon. The position is compared with the amount of Liquid Asset Buffer (High Quality Liquid Assets or 'HQLA') held by the Bank to ensure that at every point in time, the Bank has coverage no less than 100% of net outflows.

In addition to the LCR, the Bank is also required to report the Net Stable Funding Ratio (NSFR), and to ensure that the ratio remains above 100%. The NSFR position is monitored on a daily basis.

The Bank has undertaken an internal liquidity assessment under the Internal Liquidity Adequacy Assessment Process (ILAAP). The assessment involves modelling the cash flows for specific scenarios including:

1. A firm specific stress test showing the impact of Bank-specific scenarios, such as damage to reputation;
2. A market-wide stress test showing the impact of adverse market conditions; and
3. A combined scenario for both firm specific and market stress test.

The stress tests consider a one-year horizon and identify the impacts at intervals of 1 month and 3 month. This will be used to assess the Bank's survival period both before and after management actions to address shortfalls in liquidity requirements.

As one of the objectives of the overall liquidity adequacy is ensuring that the Bank has a prudent funding profile, assumptions are made about the behaviour of depositors and borrowers within each stress scenario in order to calculate the resulting cash flows. The outcome from the model is a detailed liquidity profile under each scenario, which analyses the impact on the balance sheet and other key metrics resulting from the individual stress scenarios. Key pressure points are identified, and the amount of liquid assets necessary to ensure at least a 3-month survival period is calculated from the results.



In the unlikely event of a liquidity crisis the Treasury Department would immediately invoke the contingency funding plan, which includes selling the Bank's liquid asset buffer securities, or if more expedient, seeking additional funds from the shareholders or borrowing in the market to alleviate the shortfall.

The Bank is funded mainly from retail deposits and shareholder funds. The Bank is not dependent on funding from the wholesale market, but may use interbank funding from time to time to provide additional funding when required.

The parent banks have confirmed their support to the Bank if there is a requirement for emergency funding. Full details of the Bank's liquidity risk management are contained in its ILAAP document.

## 6.5 Regulatory risk

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators. Regulatory risk governance begins at the Board level and cascades throughout the organisation.

The Bank, through its compliance and audit functions, ensures that there is adherence to the applicable regulatory requirements, and the resources required for effective compliance are adequate and competent to ensure that regulatory risk is minimised.

The Bank is regulated by the PRA and FCA and is subject to reporting requirements as implemented by the approved authorities.

## 6.6 Operational risk (Including Conduct Risk and Consumer Duty)

The Basel Accord defines Operational Risk as:

The Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk, but excludes Strategic and Reputational Risk.

European Banking Authority guidelines also considers:

Operational Risk includes Legal Risks but excludes Reputational Risk and is embedded in all banking products and activities.

We consider Operational Risk a 'Principal' Risk and in practice, the Bank has structured its own Operational Risk taxonomy on these, which we define as follows:

Non-Financial Risks	Definitions: Risks of financial loss, reputational damage or customer detriment arising from...
<b>Governance Risk</b>	Insufficient or inadequate governance arrangements to appropriately identify and manage Risks, leading to customer or staff detriment, unmanaged conflicts of interest or regulatory exposure. It includes the Risk of inappropriate organisational culture and values. Despite their nature being predominantly related with governance, governance around suppliers, business strategy, IT estate strategy, recording keeping, management of change and business continuity are considered within each respective associated category.
<b>IT, Information Security and Data Protection Risks (including Cyber-Crime Risk, Disaster Recovery Risk and Business Continuity Risk)</b>	<ul style="list-style-type: none"> <li>IT systems (i.e., hardware, software, network or telecoms) failure, as well as inadequate systems backup, disaster recovery arrangements, maintenance and identification of relevant technological developments or any other system failures.</li> <li>Failure to prevent or detect unauthorised access or use of confidential, customer, staff or firm data or information.</li> <li>Accidental or deliberate loss, misuse, alteration or disclosure of information.</li> <li>Unauthorised or inappropriate access to information or systems.</li> <li>Cybersecurity failures because of actions facilitated through network.</li> <li>Weak operational resilience, i.e., inability to absorb shocks while continuing to provide critical function. It encompasses the risk of failure of critical activities or system and the ability to absorb operational shocks</li> </ul>

	caused by the risks above or any other risks.
<b>Regulatory and Macroeconomic External Risk (includes Environmental Risk)</b>	<p>Non-compliance with laws and regulations or failure to identify threats arising from macroeconomic and other external risks, such as environmental risk. It does not include:</p> <ol style="list-style-type: none"> <li>1. Money Laundering, Sanctions and Bribery &amp; Corruption as these are included in Financial Crime.</li> <li>2. Product design, advice and sales practice, which are covered by Product Risk.</li> <li>3. Data Protection Risks, except when these involve regulatory breaches, covered in IT, Information Security and Data Protection Risks. Climate Change Transitional Risks (Regulatory and Legal proposals to meet Climate Change) are included.</li> </ol>
<b>Financial Crime Risk (excluding Cyber-Crime Risk)</b>	<ul style="list-style-type: none"> <li>• Fraud (i.e., dishonest behaviour with the intent to make a gain or cause a loss to others, whether perpetrated by internal or external parties);</li> <li>• Failure to comply with Sanctions regulations;</li> <li>• Failure to prevent involvement with money laundering activities (including failure to conduct adequate KYC);</li> <li>• Failure to effectively prevent bribery and corruption;</li> <li>• Failure to prevent tax evasion.</li> </ul> <p>It does not include cyber-crime or unauthorised access.</p>
<b>Premises and Physical Security Risk</b>	Accidental or deliberate access or damage to physical assets (premises and other infrastructures); or health and safety issues.
<b>People Risk</b>	Inadequate human resources strategy, policies and procedures. This includes issues such as inadequacy of compensation schemes; staff training and development; succession plans; staff recruitment and retention, employment laws and regulation, and trade union relations. It also covers human error, lack of due care and negligence. It does not include workplace conditions, such as health and safety (of staff and visitors).
<b>Finance Risk</b>	Material misstatement, model risk (e.g. provisioning) or omission of financial or regulatory reporting or the mismanagement of tax.
<b>Suppliers Risk (incl. Outsourcing Risk)</b>	Service provided by internal and external suppliers not aligning with our internal policies or regulatory requirements. This includes outsourcing risks.
<b>Process Risk</b>	Mismanagement of processes, including payments, Distribution Management, Post-Sales and Service and Market Conduct.
<b>Legal Risk</b>	Failures in managing legal risks (inadequate information regarding contracts, claims, documentation, intellectual property, etc.).
<b>Product Risk</b>	Failures in the design, distribution or proposition of the products and services we offer to the customers.
<b>Change Risk</b>	Mismanagement of change.
<b>Conduct Risk &amp; Consumer Duty</b>	<ul style="list-style-type: none"> <li>• Failure to deliver good customer outcomes.</li> <li>• Failure to treat customers fairly.</li> <li>• Misleading financial promotions.</li> <li>• Poor 'provision of advice'.</li> <li>• Mis-selling of Products.</li> <li>• Poor Product Governance</li> </ul>

## 6.7 Reputational risk

Risk of loss (revenue loss; increased operating, capital or regulatory costs; destruction of brand value) resulting from damages to a firm's reputation arising from adverse information made public (whether or not that information is valid or not).

The CEO is the owner of reputational risk. All business strategy and decisions taken by the Bank assess risk of reputational damage, especially in activities that could cause customer, staff or other stakeholder detriment.

## 6.8 Other risks

### 6.8.1 Insurance

The Bank maintains insurance with the aim of reducing the monetary impact of operational losses. The level and nature of insurance maintained is assessed by management on a timely basis to ensure it is adequate to protect the Bank's financial resources.

Whilst insurance should protect the financial resources of the Bank, consideration is also given to the following:

- (i) The financial strength of the insurer;
- (ii) The time taken for an insurer to pay claims which may be detrimental to the capital resources of the Bank;
- (iii) The effect of any limiting conditions and exclusion clauses; and
- (iv) The impact of self-insurance and claims in excess of the policy terms.

### 6.8.2 Strategic/ Business risk

This is the risk arising from changes in the Bank's business, including the risk that the Bank may not be able to carry out its business plan and its desired strategy including the risks arising from the Bank's remuneration policy.

In order to mitigate this risk, performance against strategic plans and budgets is monitored at the Executive Committee's meetings on a monthly basis. Any material deviations from the agreed business plans are investigated and appropriate management actions are taken promptly.

### 6.8.3 Financial crime and anti-money laundering risk

#### The requirement for a risk-based strategy

The Money Laundering Regulations 2007 require all UK banks and other regulated firms to assess their money laundering/terrorist financing risks and determine how they will be managed. The FCA also requires that in accordance with senior management responsibilities and corporate governance requirements, all regulated financial services firms must conduct and document an AML/CTF risk assessment.

The level of inherent risk within any bank or financial institution is determined through the consideration of a range of factors including:

- The nature of its ownership and regulatory status.
- Its customer, product and activity profiles.
- Its distribution channels.
- The complexity and volume of its transactions.
- Its processes and systems.
- Its operating environment

All banks must be able to demonstrate to the FCA as their Supervisory Authority the appropriateness of the measures introduced to manage their perceived risks. Consequently, UBL UK's risk-based strategy has been documented as part of its anti-money laundering policies and controls.

#### **UBL UK's risk-based strategy**

UBL UK's risk-based strategy includes:

- Assessing the Bank's vulnerabilities to money laundering and terrorist financing:
- Assessing the risk that is posed by the Bank's products and services, including their characteristics, the way they are delivered and how they are used.
- Assessing what risk is posed by the Bank's customers, including the means by which the customer is acquired, who the Bank's customers are, where they are located, their organisational structure and what they do.
- Designing and implementing controls and procedures to manage and mitigate the money laundering and terrorist financing risks that have been determined, paying particular attention to the factors that have been assessed as presenting higher levels of risk:
- Applying increased levels of customer due diligence and monitoring to reflect increasing levels of risk;
- Monitoring a customer's instructions, transactions and activity in their accounts against known and expected behaviour and characteristics;
- Monitoring transactions against HM Treasury Consolidated Financial Sanctions List, OFAC and EU;
- Recording the results of the risk assessment and the controls that have been put in place; and
- Regularly monitoring and reviewing the Bank's risks and keeping this information relevant and up to date.

#### **6.8.4 Exposures to securitisation positions and equities not in the trading book**

The Bank does not have any securitisation positions and does not hold any equities, and therefore these specific risks are not currently applicable to the Bank.

## 7 Leverage Ratio

The leverage ratio was introduced under the Basel III reforms as a simple, transparent, non-risk based ratio intended to restrict the build-up of leverage in the banking sector to avoid distressed deleveraging processes that can damage the broader financial system and the economy.

It is defined as the ratio of Tier 1 capital to the total exposure measure and applies an equal weighting to all assets regardless of their risk.

The leverage framework is emerging in the UK, with a preliminary target level set by the BCBS that banks should hold a minimum leverage ratio of 3%. The Bank's leverage ratio as at 31<sup>st</sup> December 2024 was 7.17% (31 Dec 2023: 8.52%).

The tables below follow the Commission Implementing Regulations (EU) 2017/200 format for Leverage Ratio disclosure. In the tables below, the lines/rows that are not applicable to the Bank have not been included.

**Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures**

	Applicable Amount (in £ '000s)
Total assets as per published financial statements	1,283,627
Adjustments for derivative financial instruments	0
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	25,608
Other adjustments	1,762
Leverage ratio total exposure measure	<b>1,310,997</b>

**Table LRCom: Leverage ratio common disclosure**

		CRR leverage ratio exposures (in £ '000s)
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,281,627
2	(Asset amounts deducted in determining Tier 1 capital)	-
3 = 1+2	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	<b>1,281,627</b>
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	214
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	3,548
11 = 4+5	Total derivatives exposures	<b>3,762</b>
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
16 = 12	Total securities financing transaction exposures	<b>0</b>
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	51,168
18	Adjustments for conversion to credit equivalent amounts)	(25,560)
19=17+18	Other off-balance sheet exposures	<b>25,608</b>
Capital and total exposure measure		
20	Tier 1 capital	<b>93,996</b>
21 = 3+11+16+19	Leverage ratio total exposure measure	<b>1,310,997</b>
Leverage ratio		
22 = 20/21	<b>Leverage ratio</b>	<b>7.17%</b>

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

	CRR leverage ratio exposures (in £ '000s)
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,281,627
Trading book exposures	0
Banking book exposures, of which:	1,281,627
<i>Covered bonds</i>	21,314
<i>Central governments and central banks</i>	142,348
<i>MDBs and international organisations treated as sovereigns</i>	11,364
<i>Institutions</i>	27,753
<i>Secured by mortgages of immovable properties</i>	1,014,736
<i>Retail exposures</i>	0
<i>Corporate</i>	20,826
<i>Exposures in default</i>	7,627
<i>Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)</i>	35,659



## 8 Asset Encumbrance

An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn.

The Pillar 3 asset encumbrance disclosure templates, shown below, have been compiled in accordance with PRA and EBA regulatory reporting requirements, specifically the PRA's supervisory statement SS11/14 ('CRD IV: Compliance with the EBA's Guidelines on the disclosure of encumbered and unencumbered assets'). In accordance with the threshold criteria under SS11/14, the Bank is not required to report Template B on the fair value of encumbered and unencumbered collateral received.

	Carrying amount of unencumbered assets (£'000)
<b>Assets of the reporting institution</b>	<b>1,284,726.2</b>
Loans on demand	30,772.9
Equity instruments	
Debt securities	178,309.4
Other assets	38,814.5
Loans and advances other than on demand	1,036,829.4

## 9 Remuneration

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### 9.1 Remuneration governance and decision making

The Human Resources, Appointments and Remuneration Committee (HRARC) is responsible for the oversight of remuneration policies within the Bank. The Committee is chaired by an independent non-executive director (INED), and consists of the Bank's other INED and non-executive directors. The main objectives of the Committee are:

- Ensure that the Bank is in compliance with all relevant employment law
- Decide on total remuneration and benefits for senior staff and Executive Directors.

The Bank operates a discretionary bonus scheme that is related to both the Bank and individual's performance. Performance of the Bank is judged against financial targets agreed by the Board at the start of the year, as well as regulatory compliance, and the prompt implementation of agreed Internal Audit recommendations. Individuals' performance is assessed during an annual appraisal, and is dependent on the achievement of objectives set at the start of the year. Senior Management determines the allocation of the bonus pool in consultation with line managers. The HR Committee and the CEO agree the bonus allocated to members of the Executive Committee.

Additionally, the Bank undertakes a discretionary salary review exercise annually; the exercise is reflective of UK inflation rates and subject to Board approval.

### 9.2 Performance and reward

The Bank's policy when determining remuneration arrangements is to ensure that there is a clear and identifiable link between reward and performance by combining a number of remuneration components. This ensures an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Bank and professional activity as well as market practice.

The five remuneration components are:

- 1) Fixed remuneration: This is determined based on the role of the individual employee, including responsibility and job complexity, experience, performance and market conditions.
- 2) Performance based remuneration: This remuneration is awarded in a manner, which promotes sound risk management and does not induce excessive risk-taking. It motivates and rewards high performers who strengthen long-term customer relations, improve the Bank's performance and generate income and shareholder value. The Bank operates a discretionary non-contractual salary increase and annual bonus schemes. In deciding whether to make any payments under the schemes, the Bank takes into account its own financial results, its assessment of an individual's contribution towards those results, its assessment of their overall conduct and performance during the course of the year and such other factors, as it considers relevant.
- 3) Pension schemes: all staff are automatically enrolled into the Bank's workplace pension scheme and, effective from 1st April 2024, the Bank now operates a pension salary sacrifice scheme for its employees
- 4) Non-contractual benefits: Employees have the choice to take up the following benefits based on specific eligibility criteria: private medical, company car scheme, cycle2work, season ticket loan and life insurance.

- 5) Other benefits such as severance payment or compromise agreements may be settled in accordance with the Bank's policy on such matters.

The table below shows the remuneration paid to employees during 2024:

			a	b	c	d
	£000's		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	6	4	2	13
2		<b>Total fixed remuneration</b>	<b>228</b>	<b>1,045</b>	<b>266</b>	<b>1,497</b>
3		Of which: cash-based	228	1,045	266	1,497
9	Variable remuneration	Number of identified staff	6	4	2	13
10		<b>Total variable remuneration</b>	<b>0</b>	<b>285</b>	<b>23</b>	<b>203</b>
11		Of which: cash-based	0	285	23	203
17	<b>Total remuneration (2 + 10)</b>		<b>228</b>	<b>1,329</b>	<b>288</b>	<b>1,700</b>

The above table shows the classification of the Bank's staff engaged in various senior positions including supervisory functions, key risk takers and senior management.

The remuneration paid in 2024 was in respect of the principal activities of the Bank, which is retail and wholesale banking. The Bank's remuneration policy is in line with the requirements outlined in the remuneration section of the PRA rulebook.

No individual received more than £1million in remuneration during 2024.

## 10 Climate Change Policy

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UBL UK ensures that environmental risks are identified, assessed, managed and where applicable, mitigated, in order to reach the financial and non-financial objectives and preventing detriment to the environment.

As part of the development of a strategic approach to managing the risks associated with climate change, the Bank has formulated an Environmental Risk policy framework. The implementation and embedding of this framework will feed into future strategic and operational decision-making. At present, the Company takes into account EPCs and flood risk assessment in underwriting loans.

In addition to monitoring exposure to climate change risk, the Bank is committed to minimising the impact of its operations on the environment, recognising the Bank's contribution to transitioning to a low carbon economy.

## Appendix I Declaration

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### Board Risk and Compliance Committee Declaration

The Board is responsible for reviewing the effectiveness of the Bank's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Bank's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

## Appendix II – Risk Statement

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### Board Approved Risk Statement

The Bank's Risk Appetite Statement (RAS) is a fundamental tenet of the risk culture of the Bank, defining the boundaries of acceptable risk taking and the risk management framework that supports it, within the context of the Bank's overall strategic goals. Risk Appetite informs, and is in turn informed by, the Bank's strategy and is also a key process in the ICAAP Framework and it has strong links to the recovery triggers in the Bank's Recovery Plan.

The RAS is outlined in the context of a Material Risk Assessment which identified the Bank's material risks from which a series of qualitative statements and quantitative metrics were agreed to facilitate the monitoring of these risks. The qualitative statements describe the risks that the Bank is willing to accept, or tolerate, in pursuit of its strategic objectives. The quantitative metrics establish specific limits, ceilings, floors, and in some cases, ranges. Both the qualitative statements and the quantitative metrics make up the Bank's RAS and are articulated in a range of key risk indicators (KRIs). A breach of a qualitative statement of Risk Appetite will be escalated and acted upon in the same manner as breach of a quantitative metric.

### Key Risk Indicators

KRIs are constructed in order to determine the overall status of each material risk area and these KRIs are measured in conjunction with one another to determine whether or not the bank is operating within its defined risk appetite. The key broad areas covered by the KRIs are as listed below:

- Business (including financials),
- Market,
- People,
- Operational,
- Conduct and Culture,
- Compliance,
- Credit,
- Capital, and
- Liquidity and Funding.

### Monitoring Process

Adherence to the RAS is monitored and reported on a monthly basis to the MRC. Business owners are responsible for:

- ensuring full awareness of the various KRIs;
- the accuracy and integrity of any and all information they input into the Bank's various systems;
- ensuring that all limits/metrics captured within each relevant KRI are respected; and
- providing early notification should any limit/metric be in risk of breach.

The KRIs are monitored on an ongoing basis by the respective individuals, departments and committees, and reported on a monthly basis to the MRC and quarterly to the BRCC. Exceptions (i.e. breaches of risk

limits or watch triggers) are reported immediately to the CRCO, and escalated immediately for action to the management team and reported to the Board based on specified internal procedure.

## Appendix III Regulatory capital balance sheet reconciliation

	Balance Sheet Item £	Regulatory Capital <sup>1</sup> £	Ref.
<b>Assets</b>			
Pension assets	552,000		
Deferred Tax	6,276,157		
Intangible assets	153,494		
<i>of which: Deducted from Tier 1 capital</i>		(6,981,651)	a
Loans and advances	1,032,354,956		
<i>of which: gross provisions eligible for Tier 2 capital</i>		706,593	b
<b>Total Assets</b>	<b>1,283,627,101</b>		
<b>Liabilities</b>			
Subordinated Loan capital	0		
<i>of which: included in Tier 2 capital</i>		0	c
<b>Total Liabilities</b>	<b>1,178,697,350</b>		
<b>Equity</b>			
Called up share capital	45,000,000		
<i>of which: amount eligible for equity tier 1 capital</i>		45,000,000	d
Revaluation reserves	14,098,991		
<i>of which: Other comprehensive income</i>	15,447,589		
<i>of which: Investment revaluation reserve</i>	(1,348,598)		
<i>of which: amount eligible for tier 1 capital</i>		14,098,991	e
Profit and loss account	45,830,760		f
<i>of which: amount eligible for tier 1 capital</i>		45,830,760	g
<b>Total Equity</b>	<b>104,929,751</b>		
<b>Total Liabilities and Equity</b>	<b>1,283,627,101</b>		
Share capital		45,000,000	d
Retained Earnings		45,830,760	g
Accumulated other comprehensive income		14,098,991	e
<i>Less</i>			
Intangibles, Deferred Tax Asset and Pension asset		(6,981,651)	a
<b>Common Equity Tier 1 capital</b>		<b>97,948,100</b>	
Subordinated loans eligible as tier 2 capital		-	c
Standardised approach general credit risk adjustment eligible as tier 2 capital		706,593	
<b>Tier 2 capital</b>		<b>706,593</b>	
<b>Total Capital</b>		<b>98,654,693</b>	

1. The regulatory capital figures above differ from the amounts reported to the PRA as at 31 December as the total above includes profits for the year and intangibles which are not included in the amounts reported to the PRA until such time as the financial statements for the subject year are approved.



## Appendix IV Expanded Risks faced by the Bank

RISK	Definition	Applicable	Risk Impact
Credit Risk	The risk of negative effects on the financial results and capital of the Bank caused by borrower's default on its obligations.	Yes	High
Financial Crime	Ensuring that the Bank is not used for the purposes of money laundering or funding terrorism with the ensuing risk of regulatory censure, fine or personal prosecution. Also ensuring that the Bank does not suffer loss due to theft or frauds committed against it either by internal or external parties.	Yes	High
Liquidity Risk	The risk of negative effects on the financial result and capital of the Bank caused by the Bank's inability to meet all its obligations as they fall due – i.e. it runs out of cash to pay its' creditors.	Yes	High
Interest Rate Risk	The risk of negative effects on the financial result and capital of the Bank caused by changes in interest rates. If we are lending at fixed rate and funding that lending through variable rate funds which then increase as a result of market movements to more than the lending rate – we make a loss.	Yes	High
Foreign Exchange Risk	The risk of negative effects on the financial results and capital caused by changes in exchange rates.	Yes	Medium
Market Risk	The risk of change in the market price of securities held in the book pending sale, financial derivatives or commodities traded or tradable in the market. If their value goes down below what we paid for them, then we may face a loss	Yes	Medium
Country Risk	Risks relating to the country of origin of the entity to which a bank is exposed (country risk) is the risk of negative effects on the financial result and capital of the Bank due to Bank's inability to collect claims from such entity for reasons arising from political, economic or social conditions in such entity's country of origin. Country risk includes political and economic risk, and transfer risk.	Yes	Medium
Operational Risk	The risk of negative effects on the financial result and capital caused by omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems (IT), and unforeseeable external events. We lose money if someone does something careless or does not follow policy / procedure or our IT systems are inadequate.	Yes	High
Legal Risk	The risk of loss caused by penalties or sanctions originating from court disputes due to breach of contractual and legal obligations with our clients, and penalties and sanctions pronounced by our regulators (FCA / PRA).	Yes	Medium
Reputational Risk	The risk that due to poor behaviour the Bank's reputation is damaged resulting in losses caused by a negative impact on its' market position, such as a run on deposits.	Yes	Medium
Conduct Risk	The risk of not providing fair customer outcomes, or to behave with integrity in any of its business dealings. This is meant to ensure that the Bank has proper systems, controls and governance from the Board of Directors down.	Yes	Medium
Strategic Risk	The risk of loss caused by a lack of a long-term development component in the Bank's business model, lack of realistic budgets and having the right management team to deliver it.	Yes	Medium
Regulatory Risk	The risk of breaching regulations resulting in fine and reputational damage.	Yes	High

## Appendix V Capital Instruments main features template

		CET1
1	Issuer	United National Bank Limited
2	Unique identifier (e.g. CUSIP, ISN or Bloomberg identifier for private placement)	Private placement
3	Governing law(s) of the instrument	English Law
<i>Regulatory Treatment</i>		
4	Transitional CRR rules	CET 1
5	Post-transitional CRR rules	CET 1
6	Eligible at solo/(sub-)consolidated/ solo and (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity
8	Amount recognised in regulatory capital	£45m
9	Nominal amount of instrument	£1
9a	Issue price	£1
9b	Redemption price	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	£30,000,000 'A' Class 9 November 2001 £15,000,000 'A' Class 23 October 2014
12	Perpetual or dated	Perpetual
13	Original maturity date	Not applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
<i>Coupons/dividends</i>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partial discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partial discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	All liabilities
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

## Appendix VI Own funds disclosure

The following Own Funds disclosure aims to reflect the capital position of the Bank.

	<b>Common Equity Tier 1 capital: instruments and reserves</b>	<b>(A) Amount at disclosure date (£000)</b>	<b>(B) Regulation (EU) No 575/2013 Article reference</b>
1	Capital instruments and the related share premium accounts	45,000	
	of which: ordinary share capital	45,000	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: instrument type 2		list 26 (3)
	of which: instrument type 3		list 26 (3)
2	Retained earnings	45,831	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	14,099	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)
	Public sector capital injections grandfathered until 1 January 2020		483 (2)
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	104,930	
7	Additional value adjustments (negative amount)		34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(153)	36 (1) (b), 37, 472 (4)
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(6,276)	36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (b)
15	Defined-benefit pension fund assets (negative amount)	(552)	36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at disclosure date (£000)	(B) Regulation (EU) No 575/2013 Article reference
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20	Empty Set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) 9k (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty Set in the EU		
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)
25b	Foreseeable tax changes relating to CET1 items (negative amount)		36 (1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 to 468		
	of which: filter for unrealised loss 1		467
	of which: filter for unrealised loss 2		467
	of which: filter for unrealised gain 1		468
	of which: filter for unrealised gain 2		468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481
	of which:		481

	<b>Common Equity Tier 1 capital: instruments and reserves</b>	<b>(A) Amount at disclosure date (£000)</b>	<b>(B) Regulation (EU) No 575/2013 Article reference</b>
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(6,982)	
29	Common Equity Tier 1 (CET1) capital	97,948	
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
	Public sector capital injections grandfathered until 1 January 2020		483 (3)
34	Qualifying Tier capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at disclosure date (£000)	(B) Regulation (EU) No 575/2013 Article reference
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc.		
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.		
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481
	of which: possible filter for unrealised losses		467
	of which: possible filter for unrealised gains		468
	of which:		481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital		
45	Tier 1 capital (T1 = CET1 + AT1)	97,948	
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
	Public sector capital injections grandfathered until 1 January 2020		483 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34), issued by subsidiaries and held by third parties	-	87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)
50	Credit risk adjustments	707	62 (c) and (d)
51	Tier 2 (T2) capital before regulatory adjustments	707	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 b) (i), 66 (a), 67, 477 (2)
53	Holdings of T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at disclosure date (£000)	(B) Regulation (EU) No 575/2013 Article reference
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)
54a	of which: new holdings not subject to transitional arrangements		
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477(4)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.		
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		475, 475 (2) a), 475 (3), 475 (4) (a)
	of which: items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481
	of which: possible filter for unrealised losses		467
	of which: possible filter for unrealised gains		468
	of which:		481
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	Tier 2 (T2) capital 2	707	
59	Total capital (TC = T1+T2)	98,655	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual-amounts)		

	<b>Common Equity Tier 1 capital: instruments and reserves</b>	<b>(A) Amount at disclosure date (£000)</b>	<b>(B) Regulation (EU) No 575/2013 Article reference</b>
	of which: items not deducted from CET1 (Regulation (EU) 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Items not deducted from T2 items (Regulation (EU) 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	Total Risk Weighted Assets	493,152	
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.90%	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	19.90%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	20.0%	92 (2) (c)
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and counter-cyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	10.31%	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	2.50%	
66	of which: counter-cyclical buffer requirement	1.88%	
67	of which: systemic risk buffer requirement	-	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		CRD 128
69	Empty set in the EU		
70	Empty set in the EU		
71	Empty set in the EU		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)
74	Empty set in the EU		



	<b>Common Equity Tier 1 capital: instruments and reserves</b>	<b>(A) Amount at disclosure date (£000)</b>	<b>(B) Regulation (EU) No 575/2013 Article reference</b>
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	(6,276)	36 (1) (c), 38, 48, 470, 472 (5)
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	707	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings based approach		62
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) and (5)
82	Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) and (5)
84	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) and (5)