Cambridge & Counties Bank Limited

Capital Requirements Directive

Pillar 3 Disclosures

31 December 2018

Cambridge & Counties Bank
Growing business together

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1. Executive Summary

1.1. Introduction

Cambridge & Counties Bank is a UK bank that specialises in providing lending and deposit products for Small and Medium Enterprises (SMEs).

Established in June 2012, Cambridge & Counties Bank has a unique ownership structure being owned jointly by Trinity Hall, a college of the University of Cambridge, and Cambridgeshire County Council as trustees for the Cambridgeshire Local Government Pension Fund.

The Bank is authorised by the Prudential Regulation Authority (PRA), regulated by the Financial Conduct Authority (FCA) and the PRA, and registered under the Financial Services Compensation Scheme.

The Bank does not have any subsidiaries.

Lending

The Bank's commercial loans are secured on property. It lends to experienced commercial and residential property investors as well as to owner occupied businesses to invest in their own commercial premises.

The Bank also provides finance for businesses to acquire critical assets such as equipment, plant, machinery or vehicles using hire purchase and finance lease facilities. In 2018 the Bank expanded its product offering to include the provision of finance for the purchase of classic cars.

Deposits

The Bank's lending is primarily funded by the acquisition of UK savings balances. It offers a range of deposit accounts that are available to business customers. These accounts are also available to retail customers through a network of brokers and introducers. Business customers include a number of broader organisations such as charities, clubs, societies and associations.

Distribution Network

Cambridge & Counties Bank provides lending products via a network of Relationship Managers who deal via business introducers as well as directly with customers. These accounts are also available to retail customers through a network of brokers and introducers. Business customers include a number of broader organisations such as charities, clubs, societies and associations.

Financial performance

Full details on the Bank's financial results are reported in its statutory accounts which are published on its website (https://ccbank.co.uk/about-us/annualresults/). For the year ended 31 December 2018, the Bank had operating income of £44.7m and reported profit before tax of £22.4m. Total capital at 31 December 2018 was £127.2m. The Bank employed an average of 143 FTE employees during the year.

1.2. Purpose

The Pillar 3 disclosures on capital and risk management at 31 December 2018, have two principal purposes:

- To provide information on the policies and approach taken by Cambridge & Counties Bank to risk management and the maintenance of its capital resources, including details of:
  - The governance structure of the Bank; and
  - Detailed information concerning the Bank's assets and capital resources.
- To meet the regulatory disclosure requirements under the Capital Requirements Regulation (EU) No 575/2013 (CRR), Part 8 and the rules of the PRA.

Some disclosures are included in the Annual Report and Financial Statements and are not repeated in the Pillar 3 disclosures.

2. Introduction

2.1. Legislative Framework

Cambridge & Counties Bank is subject to the European Union Capital Requirements Directive (CRD) and Capital Requirements Regulations (CRR) implemented on 01 January 2014. The CRR and CRD, commonly known as CRD IV, provide consistent capital adequacy standards for financial services companies and an associated supervisory framework across the European Union and are enforced in the UK by the Prudential Regulation Authority (PRA). The legislation sets out the rules that determine the amounts of capital financial institutions must hold in order to provide security for members and depositors.

The CRD regulations split the Bank's capital resources and reporting requirements into three pillars:

Pillar 1
Pillar 1 capital is the Bank's minimum regulatory capital requirement relating to credit, market and operational risk.

The Bank has followed the Standardised Approach when calculating the minimum capital requirements for credit risk (which includes counterparty credit risk). The Bank has no Pillar 1 capital requirement for market risk as it does not operate a trading book. Any market related activity or derivative usage is solely for the purpose of hedging known exposures. The Bank uses the Basic Indicator Approach (BIA) for operational risk.

Pillar 2
To calculate its Pillar 2 capital requirements the Bank has performed a detailed assessment of the risks facing the Bank including the impact of a severe economic downturn. The Bank has calculated the amount of capital that it considers necessary to cover these risks within its Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP is reviewed and assessed by the PRA during its Supervisory Review and Evaluation Process.

Pillar 3
Pillar 3 complements Pillar 1 and Pillar 2 and sets out the disclosures that banks are required to make in order to promote market discipline through the external disclosure of its governance, capital resources, risk management objectives, remuneration and risk exposures. The Bank is required to publish its Pillar 3 report annually.

In December 2016 the European Banking Authority (EBA) published its final guidelines on regulatory disclosure requirements (amended June 2017) following an update of the Pillar 3 requirements by the Basel Committee in January 2015 (update March 2017 and further consultation February 2018). These guidelines apply from 31 December 2017. The EBA guidelines advise that some disclosures are only required by global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs), however the Bank has implemented the EBA guidelines where appropriate and proportionate to the business in line with best practice. The EBA also issue guidelines on disclosures on particular themes and these disclosure requirements have been incorporated into this document where appropriate.

The table below sets out where each table is presented.

EBA Template	Description	Location in document
-	Own Funds	Section 6
-	Leverage ratio	Section 6.2
1	EU LI – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Section 12
2	EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Section 12
3	EU LI3 – Outline of the differences in the scope of consolidation	CCB is a solo entity – therefore this template is not applicable
4	EU OV1 – Overview of RWAs	Section 7.1
5	EU CR10 – IRB	CCB uses the standardised approach – this template is therefore not applicable
6	EU INS1	CCB is not an insurance undertaking – this template is therefore not applicable
7	EU CRB-B – Total and average net amount of exposures	Section 12
8	EU CRB-C – Geographical breakdown of exposures	Section 12
9	EU CRB-D – Concentration of exposures by industry or counterparty types	Section 12
10	EU CRB-E - Maturity of exposures	Section 12
11	EU CR1-A – Credit quality of exposures by exposure class and instrument	Section 12
12	EU CR1-B – Credit quality of exposure by industry or counterparty types	Section 13
13	EU CR1-C- Credit Quality of exposures by geography	Section 13
14	EU CR1-D- Ageing of past-due exposures	Section 13
15	EU CR1 – E – Non-performing and forborne exposures	Section 13
16	EU CR2-A- Changes in the stock of specific credit risk	Section 13
17	EU CR2-B- Changes in the stock of defaulted and impaired loans and debt securities	Section 13
18	EU CR3-CRM techniques – Overview	Section 13
19	EU CR4 – Standardised approach – Credit risk exposure and CRM effects	Section 13
20	EU CR5 – Standardised approach	Section 13
21-24	IRB approach	Not applicable as CCB does not use the IRB approach
25	EU CCR1 – Analysis of CCR exposure by approach	Section 14
26	EU CCR2 - CVA capital charge	Section 14
27	EU CCR8 - Exposures to CCPs	Section 14
28	EU CCR3 – Standardised approach – CCR exposure by regulatory portfolio and risk	Section 8.4
29-30	IRB / IMM templates	Not applicable as CCB does not use IRB/IMM approach
31	EU CCR-5A – Impact of netting and collateral held on exposure values	Section 8.4
32	EU CCR5-B- Composition of collateral for exposures to CCR	Not applicable as no collateral for CCR exposures.
33	EU CCR6 – Credit derivatives exposures	Not applicable as no credit derivatives exposures.
34-38	Market risk templates	Not applicable as CCB does not have a trading book and therefore no market risk
	LRSum : Summary reconciliation of accounting assets and leverage ratio exposures	Section 6.2
	LRCom: Leverage ratio common disclosure	Section 6.2
	LRSpl: Split-up of on balance sheet exposures	Section 6.2
	IFRS 9 Transition Template	Section 6.3
	Liquidity Coverage Ratio	Section 11

2.2. Scope of Application

All the figures, governance, objectives and policies included within this document are as at 31 December 2018 (unless stated otherwise) and have been prepared to meet the disclosure requirements of CRD IV.

The Pillar 3 report is based upon the Bank's annual report and financial statements for the year ended 31 December 2018. Pillar 3 disclosures are issued on an annual basis in conjunction with the publication of the annual report and financial statements in accordance with regulatory guidelines.

These disclosures have been reviewed by the Risk & Compliance Committee and approved by the Board. The disclosures are not subject to external audit, although some of the information within the disclosures also appears in the audited 2018 financial statements. The processes for preparing this disclosure are laid out in the Bank's Pillar 3 Disclosures policy.

Cambridge & Counties Bank Limited is not part of a group of companies and does not have any subsidiaries. This report therefore relates to just Cambridge & Counties Bank Limited. The Bank is regulated by the PRA, with its registration no. 579415. The registered office of the Bank is Charnwood Court, 5B New Walk, Leicester, LE1 6TE.

2.3. Reporting

The Bank's management pack contains details of key capital and liquidity metrics and is reported monthly to the Board. The Assets & Liabilities Committee (ALCO) and Risk & Compliance Committee (RCC) consider a more detailed range of capital and liquidity metrics on a monthly basis. Management also receive daily metrics. The objective of the monitoring is to ensure that appropriate actions can be taken should triggers be breached.

2.4. Publication

The disclosures are published on the Bank's website: https://ccbank.co.uk

2.5. Policy, Verification, Sign Off and Contact Details

The Bank's Pillar 3 disclosures have been verified and approved through internal governance procedures in line with the Bank's Pillar 3 Disclosure Policy. The Board has reviewed and approved the disclosures during March 2019.

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Charnwood Court
5B New Walk
Leicester
LE1 6TE

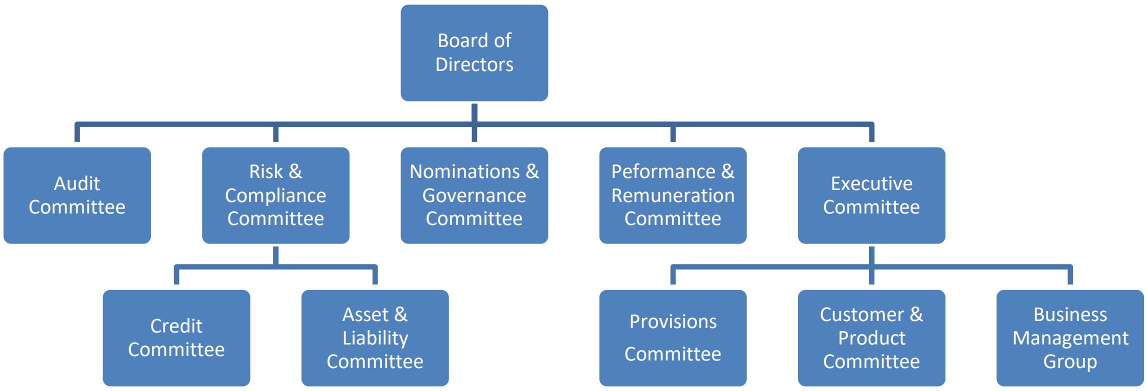
Telephone: 0344 2253939
Email: Info@ccbank.co.uk
Web site: www.ccbank.co.uk

3. Governance and Committees

The Bank has an established governance structure. The Bank's 'Board Governance and Control Policy and Framework' serves as an introductory guide to governance at the Bank and outlines the core responsibilities of the Board of Directors (The Board), the Non-Executive Directors (NEDs) and the Executive Directors (EDs).

The overall governance framework establishes a set of relationships between the Bank's Board, shareholders, management and other relevant stakeholders. The framework details the structure by which the Bank sets its strategic objectives, implements effective actions to ensure these objectives are achieved and conducts appropriate monitoring and challenge of performance.

Key to an effective governance structure is ensuring that the Bank has the appropriate delegation of authority, responsibility and decision making from Board level downwards. The Board are supported by several Board level committees, along with Executive level committees and further sub-committees where these are considered appropriate and beneficial. The current (as at December 2018) committee structure of the Bank is as follows:



The Bank's Board comprises both experienced EDs and NEDs, each of whom have the relevant experience to ensure that the Board is working towards the delivery of its strategy. The NEDs provide effective challenge and oversight of the Board, working alongside the EDs to ensure that decisions regarding the future of the Bank are well informed and made in the interests of all relevant shareholders and stakeholders.

Cambridge & Counties Bank has four Executive and six Non-Executive Directors. A summary of their experience and confirmation of any other directorships is disclosed on the Bank's website (https://ccbank.co.uk/about-us/our-directors/) in carrying out the duties of the Board, the Directors will act in accordance with all relevant and applicable legislative and regulatory rules. The Directors take into account the Directors' Duties contained in the Companies Act 2006 and the factors listed in Section 172 of the Companies Act 2006 and any other relevant requirements.

Information about the Bank's recruitment approach, including diversity, can also be found on the Bank's website (https://ccbank.co.uk/about-us/careers/).

The table below outlines the purpose and key responsibilities (as delegated by the Board) and Chairs with which each committee meets. The Bank reviews the committee structure on an ongoing basis to ensure that it remains fit for purpose and maximises the effective decision-making ability of the Board.

Commit5tee	Chair	Purpose / Responsibilities relating to Risk Management
Board	Chairman (Simon Moore) or the Vice Chair (Paul ffolkes Davis)	• Ensuring the framework of prudent and effective controls and risk management is maintained; • Review of the effectiveness of the risk and control processes to support the Bank's strategy and objectives; • Approval of regulatory documents including the Risk Appetites, ICAAP, ILAAP.
Audit	Ian Smith: NED	• Assisting the Board in carrying out their responsibilities relating to assuring the adequacy and effectiveness of the Bank's overall financial governance, control framework and processes, including compliance with legal, regulatory and financial reporting requirements; • The appointment of internal and external audit and assessment of effectiveness.
Risk & Compliance	John McGuire; NED	• Providing oversight and advice to the Board in relation to current and potential future risk exposures of the Bank and future risk strategy, including determination of risk appetite and tolerance; • Compliance with legal and regulatory requirements; • Assisting on such other matters as may be referred to it by the Board; • Promoting a risk awareness culture within the Bank; • Providing oversight of the Bank's risk and compliance functions and to receive and review reports on the Bank's compliance (including Anti-Money Laundering) with financial services regulations.
Performance & Remuneration	Caroline Fawcett; NED	• Overseeing the establishment and implementation of a remuneration policy for employees and Directors, which is designed to support long term business strategy and values of the Bank, as well as promoting effective risk management and compliance with applicable legal and regulatory requirements; • Reviewing performance and approval of remuneration arrangements as set out within its Terms of Reference.
Nominations & Governance Committee	Vice Chair (Paul ffolkes Davis)	• To consider and make recommendations in respect of appointments to the Board as well as the membership and chairmanship of Board Committees. • To monitor the governance arrangements of the Bank making recommendations to ensure that such arrangements are consistent with best corporate governance standards and to develop best practice.
Assets & Liability (ALCO)	Chief Financial Officer (CFO)	• Control and stewardship of the Bank's balance sheet risks and capital management in executing its chosen business strategy; • Setting of limits in line with the Board's risk appetite, monitoring exposures and implementing controls across the dimensions of capital, credit, FX, funding and liquidity, and non-traded interest rate risk.
Executive	Chief Executive Officer	• Implementation of the strategic objectives of the Bank in accordance with the Strategic Plan and compliance with the Company's Budget and Risk Appetite; • All day to day operational issues of the Bank which are delegated to the Business Management group; • Reviewing draft Board papers and recommending for submission to Board; • Approving the Terms of Reference and responsibilities of the Business Management Group and the Customer & Product Committee and receive Minutes from these committees; • Ensuring all responsibilities are undertaken with due consideration given to the Bank's Strategic Plan, Board approved policies and good customer outcomes.
Customer & Product	Chief Customer Officer	• Oversight of customer outcomes that result from Bank operations, as well as the suite of products offered, including the product design, pricing, performance and customer suitability.
Business Management Group	Director of HR	• Implementation of the strategic objectives of the Bank in accordance with the Strategic Plan and compliance with the Company's Budget; • Management of day to day operational issues of the Bank; • Initiating and managing actions required to address issues arising within any aspect of business performance, including financial, staff, customers, IT and marketing, financial results and forecasts, and wider feedback and insight; • Reviewing and contributing to updates of Strategic Plans and annual budgets; • Governance of the IT change programme and material IT projects to ensure delivery of, and ongoing maintenance of, appropriate IT systems and infrastructure; • Prioritising and co-ordinating any changes to the Bank's IT systems and infrastructure; • Ensuring that the Bank can effectively meet its regulatory obligations and deliver good customer outcomes; • Considering the overall conduct risk of the Bank.

Commit5tee	Chair	Purpose / Responsibilities relating to Risk Management
Credit Committee	Director of Credit	• Manage and monitor the lending activities of the Bank on a day-to-day basis. • Formulating the Bank's lending policies, overseeing the Bank's solicitor and valuation panels and monitoring the Bank's large exposures. The committee are also responsible for agreeing the Bank's standard facility letters and terms; • Monitor current and potential non-performing lending on an on-going basis, for the purpose of identifying and agreeing appropriate provisions for under-recoveries on those loans; • Responsibility for the ongoing oversight and management of current and potential non-performing loans lies with the Credit Committee.
Provisions Committee	Chief Financial Officer (CFO)	• The purpose of the Committee is to monitor current and potential non-performing lending on an on-going basis, for the purposes of identifying and agreeing appropriate provisions for under-recoveries on those loans. • Responsibility for the ongoing oversight and management of current and potential non-performing loans lies with the Credit Committee

4. Risk Management Objectives and Policies

4.1. Introduction

The Bank is committed to risk management. This is achieved through the maintenance of appropriate risk strategies, frameworks, organisational structures and governance, plus embedding a strong risk culture embedded throughout the organisation.

The following chapter covers the key elements of the Bank's approach to risk management:

- The Risk Strategy
- The Risk Management Framework
- The Risk Appetite Framework
- The Basis of Risk Monitoring and Reporting
- The Principle Risk Categories and how they are managed

4.2. Risk Strategy

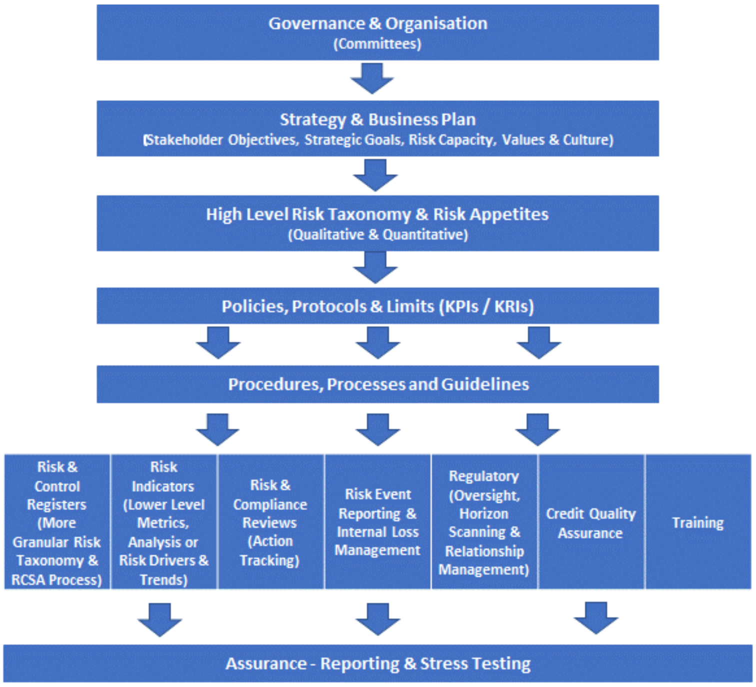
Risk management is at the heart of the Bank's strategic objectives, both as an end in itself and to facilitate the achievement of the Bank's businesses strategic objectives. The ultimate aim is to protect the Bank's long-term viability and to produce sustainable medium to long-term revenue streams.

The Bank's strategy is to concentrate its lending and deposit taking activities in those areas where it has experienced subject matter experts, both in the first and second line of defence. It will also restrict its product offering to those activities where the Bank has the necessary operational capacity, systems and infrastructure to effectively manage and monitor the loans throughout their life cycle.

The Board's risk strategy is reflected in its Risk Appetite Statements document (RAS). This is supported by a range of quantitative Key Risk Indicators (KRIs), Risk Metrics (RMs) and Early Warning Indicators (EWIs). Together, these describe the amount of each risk type that the Bank is willing to take in pursuit of its strategic objectives.

4.3. The Risk Management Framework

The Risk Management Framework is summarised in the diagram below:



The principles underlying the Bank's Risk Management Framework are:

- Governance is maintained through the effective delegation of authority from the Board down through the committee and management hierarchy to individuals;
- Risk management supports the safe delivery of the Bank's strategic plan and objectives;
- Risk management is based on a Three Lines of Defence model in which business management own and report on the risks assumed throughout the Bank and are responsible for ensuring that these are managed and controlled on a day-to-day basis - hence leveraging their specific business and risk expertise;
- The Board and business management are engaged in and promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner;
- The second line of defence (the Risk & Compliance function) is independent of the businesses and provide both oversight and challenge; and support and advice on the management of risk across the businesses;
- Risk mitigation and control activities are commensurate with the degree of risk and proportionate to the scale and complexity of the Bank's business activities; accordingly, they are capable of evolving with the business; and
- Risk management should not inhibit sensible risk taking that is critical to the Bank's success; rather it should enhance decision-making and ensure that emerging risks are identified and addressed as they arise.

The Bank's risk management, internal systems and controls encompass policies, culture, organisation, behaviours, procedures, processes and management information that together:

- Facilitate effective and efficient operations by enabling it to identify and assess current and emerging risks and understand the drivers of these;
- Allow the Bank to respond quickly, proportionately and appropriately to risks and associated control failures;
- Help reduce the likelihood and impact of poor decision-making, excessive risk-taking, human error, or deliberate circumvention of the control environment;

- Ensure the timeliness, accuracy and completeness of data and associated management information and reporting; and
- Help ensure compliance with applicable laws and regulation and internal policies.

In addition, the Risk Management framework incorporates the key tools available to the Business Areas and the Risk & Compliance function when assessing risks.

4.4. The Three Lines of Defence

The Bank's risk management and compliance approach is founded on the Three Lines of Defence Model. This is summarised below.

	First Line of Defence	Second Line of Defence	Third Line of Defence
	The Business	Risk & Compliance	Internal & External Audit
Oversight	The Board supported by the Executive Committee	The Board Risk & Compliance Committee supported by the Executive Credit Committee and ALCO	The Board Audit Committee supported by the Internal and External Auditors
Function	Ownership, responsibility and accountability for risks and controls	Monitors and facilitates the implementation of effective risk management. Provides oversight & challenge, support & advice	Provides assurance of: (i) First and second line risk management (ii) Regulatory interpretation and reporting
Embedding	The Board, via the CEO delegates to business heads day-to-day responsibility for risk management, regulatory compliance, internal control and conduct in running their business areas	The Board Risk & Compliance Committee delegates to the Chief Risk Officer day-to-day responsibility for oversight and challenge to provide assurance on the management of risk	Internal and External Audit execute independent reviews to test that controls are working effectively and remain up-to-date with current regulation

The specific responsibilities of each line of defence, including those of the Money Laundering Reporting Officer and the Data Protection Officer, are articulated in the Risk Management Policy.

First Line of Defence

Business lines assess and manage the risks to which they are exposed. They have primary responsibility for identifying, measuring, monitoring, managing and controlling risks within their area of accountability. They are required to establish effective governance and control frameworks that are compliant with Bank policies, their legal and regulatory obligations, and sound market practice; and which ensure that the Bank remains within its defined risk appetite.

Second Line of Defence

The Risk & Compliance Function is a centralised and independent department that provides oversight and challenge of the management of risk by the business areas; and support and advice to the business areas with respect to the risk-based decisions made, the control environment established (including Bank policies), regulatory application and compliance, and the rectification of identified areas of weakness. In addition, the function is responsible for reporting performance against risk appetites to the Risk & Compliance Committee.

The Risk & Compliance Function monitor the adequacy and effectiveness of internal control, accuracy and completeness of both internal and external reporting, compliance with laws, regulations and policies; and timely remediation of identified deficiencies. This is achieved through the use of a number of tools that are central to the Risk Management Framework; namely:

- Risk Registers / Risk Taxonomy;
- Risk & Control Self Assessments;
- Risk Event and Internal Loss Registers;
- Risk Management Information (Key Risk Indicators, Risk Metrics and Early Warning indicators);
- Risk and Compliance Reviews;
- Risk Reporting;
- Credit Quality Assurance; and,
- Risk and Compliance Training.

A key role of the Risk & Compliance Function is also to provide challenge to the Bank's own assessments of its viability and solvency risk; including oversight of the ICAAP, ILAAP, Liquidity Contingency Plan and the Recovery Plan, together with the Pillar 3 Disclosures.

Third Line of Defence

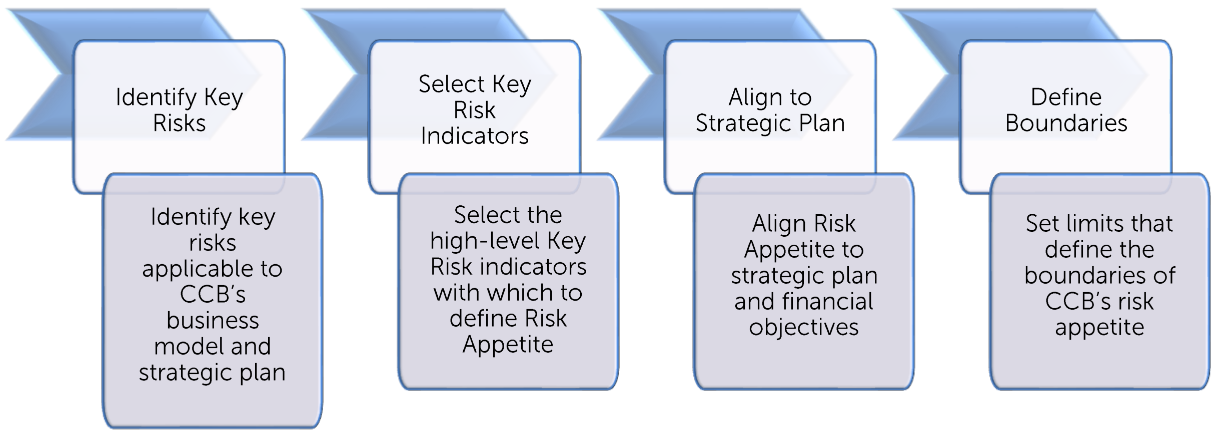
Internal audit is outsourced to Deloitte who are responsible for providing independent and objective assurance that the Bank's risk and control environment and regulatory application and compliance is working effectively and for making recommendations that improve the efficiency and effectiveness of the Bank's systems and controls. Additionally, it is expected that Deloitte provide insights to changing regulation and market practices.

KPMG, as the Bank's external auditors, are responsible for providing an independent validation of the Bank's financial performance and that it represents a true and fair view in all material aspects of its financial position consistent with prevailing accounting principles.

4.5. Risk Appetite Introduction

The Risk Appetite Framework is intended to ensure that the Bank's Strategic Plan is reflected in its Risk Appetite Statements and executed in a manner which meets the level of risk acceptable to both Board and the Bank's regulators.

The Chief Risk Officer (CRO), in conjunction with the Executives, is responsible for interpreting the Board's Risk Appetite and recording it within Appetite Statements. The process for defining the Bank's Risk Appetite is illustrated in the diagram below:



In determining the boundaries, the Executive Committee and Board consider:

- The strategic objectives and financial performance measures as set out in the latest Strategic Plan;
- The current risk capacity as determined from the monitoring of capital and liquidity against the regulatory requirements, as well as those identified from the Banks's own ICAAP and ILAAP;
- The risk control and risk mitigation capability, guided by the risk management reports, historical financial performance and loss history; and
- The current economic and political environment.

Stress testing and scenario analysis are also used to access the financial and management capacity of the Bank to continue operating effectively under extreme but plausible (idiosyncratic and market wide) conditions.

4.6. Policies, Protocols and Procedures

Each Risk Appetite Statement should be reflected in the associated policy or protocol (Policies). The Statements will include Key Risk Indicators and form the basis of the additional Risk Metrics and Early Warning Indictors recorded in these documents. The Statements will also determine the more granular rules and guidelines, contained in the policies that must be followed to ensure compliance with the Risk Appetite.

Policy Owners must ensure their policies are up-to-date and reflect the Risk Appetite Statement.

Each business area manager must ensure that their procedures and processes reflect the Policies.

4.7. The Basis of Risk Monitoring and Reporting

Risk Indicators and Metrics

In defining the Board's risk appetite, wherever possible credible qualitative statements are supported by hard quantitative metrics; allowing management and the Executives to monitor the Bank's alignment with its Risk Appetite in a clear, objective manner.

The Bank has adopted a tiered structure of risk indicators and metrics.

Tier 1 - Recovery & Liquidity Contingency Plan Indicators

The Board has identified certain Key Risk Indicators as Liquidity Contingency Plan and Recovery Plan Indicators. These are referred to as "Tier 1 Indicators". They are considered as being the most relevant in determining whether the Bank needs to trigger its Liquidity Contingency Plan or Recovery Plan as they show:

- when the Bank could be approaching a Financial Stress;
- whether the Bank retains adequate liquidity resources;
- whether internal risks or the external environment threaten the Bank's viability.

The Bank's Recovery Plan Indicators are based on the EBA guidelines on Recovery Planning[1]..
Tier 1 metrics are monitored using a Red / Amber / Yellow / Green (RAYG) status. The escalation mechanism is summarised in the table below.

Tier 2 - Key Risk Indicators (KRIs)

In addition to Tier 1 indicators, the Risk Appetite Statements also include Tier 2 Key Risk Indicators. These Key Risk Indicators are measures that assist in assessing whether the Bank is operating within the boundaries of its defined risk appetites.
The escalation of issues dependant on the severity of the RAYG status is similar to the Tier 1 metrics.

Tier 3 - Supporting Risk Metrics and Indicators (RM)

On a day-to-day basis, the Bank's management will also monitor supporting Risk Metrics and Indicators. These are defined as Tier 3 Indicators. These allow the Bank to analyse the drivers of the KRIs.

Early Warning Indicators (EWIs)

Early Warning Indicators are measures that could be an indicator of potential future problems e.g. national or regional house prices. Internal EWIs are those that can be influenced directly or indirectly by the actions of the Executive and the Management. External EWIs are those indicators which reflect the prevailing economic and political climate. Although these external indicators are outside of the control of the Bank (e.g. The UK Bank Base Rate) their prevailing level is the basis of assumptions within the Bank's plans. The Board and the Executive are vigilant to unexpected movements or trends.

Monitoring of Risk Indicators and Metrics

Risk Indicators and Metrics are monitored daily or monthly (as appropriate) by the Risk & Compliance Function. When the absolute value or trend predicts a potential issue, the necessary and appropriate actions are taken.

Action in the Event of a Breach of the Liquidity Risk Appetite or Risk Metrics

The actions to be taken when Tier 1, 2 or 3 indicators have been reached are summarised in the table below.

[1] EBA-GL-2015-02 Guidelines on the minimum list of qualitative and quantitative recovery plan indicators 23 July 2015.

Colour Code	ALL INDICATORS Business as Usual	ALL INDICATORS Potential Increase in Risk	ALL INDICATORS Approaching Risk Appetite	TIER 2 & 3 INDICATORS Potential Breach of Risk Appetite	TIER 1 INDICATORS Potential Invocation Trigger Point (ITPs)
Governance	ALCO	RCC	RCC	RCC & Board	RCC & Board
Indicator Status	The Bank is generally operating within the boundaries expected in a business as usual environment	The Bank is outside the boundaries within which it normally operates, with a potential increase in Risk	Risk Appetites / ITPs are in danger of being breached. The Bank is operating outside of acceptable boundaries	Risk Appetite Limits may be breached. The Bank is exposed to a level of risk that may not be acceptable by the Board	The Recovery Plan Invocation Trigger point may have been reached. The Bank may be exposed to a capital, liquidity or operational crisis
Action	No Action The Bank is operating within boundaries expected	Management has discretion to temporarily operate in this zone	Management must act immediately to reduce the risk level.	Urgent remediation may be required. A meeting of the appropriate executive Committee must be held to address breach *If appropriate Recovery reporting protocols should be followed*	Urgent remediation may be required. A meeting of the Executive Committee must be held to address breach. If *appropriate Recovery reporting protocols should be followed*
Reporting and Format	Standard MI – no comment	Standard MI– but comment on action with time frame / rationale for no action and time to revert to BAU level	E-mail detailing cause, actions and time to complete remediation followed by an action plan	E-mail detailing cause, actions and time to complete remediation followed by a detailed action plan	E-mail detailing cause, actions and time to complete remediation followed by a detailed action plan
Timing of Reporting	Monthly	Monthly	Exec. Within 24 Hours / RCC Monthly	Initial report ASAP. Detailed plan in 24 Hours	Initial report ASAP. Detailed plan in 24 Hours
Report recipient	Risk & Compliance Committee (RCC)	Risk & Compliance Committee		Exec, RCC & Board / where appropriate the Regulator	Exec, RCC & Board / where appropriate the Regulator

Risk Reporting

Regular Management Information packs are presented to the Risk & Compliance Committee and recommended to the Board ensuring that the management of risk is aligned to the Board's risk appetites and that unacceptable risk exposures are identified and, where possible, mitigated at an early stage. The metrics provided are intended to facilitate:

(i) Backward-looking analysis to identify trends in risks and underlying drivers;
(ii) Analysis of current Risk Indicators supported by risk reviews and risk event reporting;
(iii) Forward-looking metrics that provide an early indication of potential threats to the Bank's performance against Risk Appetite;
(iv) Analysis of metrics is based on RAYG indicators that provide an early indication of potential stress and acts as triggers to so that breaches of Risk Appetite can be avoided by adopting appropriate strategies and actions;
(v) Future trend analysis and calculation of rolling averages.

Management also receive daily reports to facilitate the ongoing assessment of performance against risk appetite including:

a) the Daily Loans Dashboard, and,
b) the Daily Liquidity Report.

4.8. The Risk Profile

Credit Risk

Definition	Credit Risk for CCB is the risk that counterparties fail to meet, in a timely manner, the commitments into which they have entered. Credit Concentration Risk is the risk of losses arising as a result of concentrations of exposures to individuals, locations, sectors and products.
Risk Appetite	Although the Board's Strategy Document has clear financial performance targets, this can only be achieved if the quality of the credit exposures does not deteriorate beyond expected levels. The Credit Risk Appetite focuses on: a) Ensuring the maintenance of the quality of new lending; b) Ensuring there is not significant concentration risk; and c) Identifying if the quality of the existing lending portfolio is deteriorating. The Bank has a defined set of qualitative and quantitative limits in relation to credit risk concentration in terms of exposures to individual products, single and groups of borrowers, geographic location and industry sector. The Credit Risk Appetite not only notes the limits on the maximum risks the Board is willing to take but is enhanced to describe the target minimum level of credit risk that is required to meet the financial objectives. It is recognised that it is only by taking a degree of credit risk that the Bank can maintain its financial viability.
Management of the risk	The Bank controls its exposure to credit risk though its Credit Risk Management Framework. This is supported by underwriting policies, performance monitoring and effective arrears management processes. The Bank also regularly performs stress tests on the portfolio to understand the impact of an economic downturn. The Bank has an independent Credit Risk Oversight Function and an associated Credit Quality Assurance program which forms part of its second line of defence. The portfolios are closely monitored by the Daily Loans Dashboard which includes reports on the performance of all loans through their life cycle. The Risk & Compliance Committee receive monthly reports on the Credit Risk exposures and concentration risks, together with detailed reports on the performance of the loan book.

Policies and Governance Documents	Credit Risk Management Framework, Credit Risk Appetite Statement Delegated Lending Authorities Policy Lending (Underwriting) Protocols Non-Performing Loan Policy Loan loss, Provisioning and Forbearance Policy Model Risk Governance Policy

Operational and Resilience Risk

Definition	Operational Risk is the risk that failures arising from inadequate or failed internal processes, people and systems or from external events that may cause monetary loss, service disruption or customer detriment. This includes operational resilience, information security model risk and climate change risks.
Risk Appetite	The Board has a low tolerance for operational losses. However, it recognises that operational risks are an inevitable consequence of doing business and that some operational losses are likely. These risks are a by-product of undertaking its deposit and lending activities. However, the Board wishes to keep operational risks to a minimum. These risks can potentially generate high losses, albeit with a very low probability. The Board wish to remain resilient to operational risk events through the maintenance of a robust control environment and transparent reporting and management of control failures and risk incidents. The Board are conscious of the increasing risk posed by the prevalence of cyber security and system availability risk events within UK Financial Services. To this end, they have a clear desire to ensure the Bank has a very high standard of controls in this area.
Management of the risk	Controls to mitigate operational risks are established by evaluating the potential losses (cost incurred or loss of income) and the probability of loss, to limit the Bank's exposure with a focus on protecting its earnings, information assets, customer service, legal and regulatory compliance, and reputation. The Bank also holds insurance to mitigate the impact of some operational risks. The identification, assessment, and management response to operational risks forms part of day-to-day business area activities and change initiatives. Mechanisms are in place to facilitate the capture, evaluation, and reporting of operational risk information. Operational resilience is a key objective for the Bank. It therefore maintains contingency plans to address such issues should they occur. These plans are tested on a regular basis. The Bank has adopted the UK Government's recommended Cyber Essentials security framework and maintains its Cyber Essentials Plus accreditation as an important part of its overall strategy for managing cyber risks. Staff have received training and attended presentations during 2018 to ensure they remain aware of the threat of cyber-attacks and the detective and preventative measures they can employ. Both actual operational losses and near misses are reported to the Risk & Compliance Committee.
Policies and Governance Documents	Risk Management Policy Operational Risk Management Policy Data Protection Policy Non-Audit Services Policy Remuneration Policy Recruitment & Selection Policy IT Policy Model Risk Governance Policy

Market Risk, including Interest Rate Risk in the Banking Book (IRRBB)

Definition	Market Risk is the risk that changes in market rates negatively impact the earnings or market value of the Bank's assets or liabilities. The Bank's only significant exposure relates to IRRBB. The Bank's exposure to changes in interest rates can be split into two: Repricing risk– the exposure to timing mismatches between when assets and liabilities re-price; and Basis Risk– the exposure to assets and liabilities being linked to different interest rate bases, which do not move in parallel with each other.
Risk Appetite	The Bank has no appetite for any FX risk and operates solely in GBP £ sterling. The Bank has limited appetite for IRRBB arising from the mismatch between its asset and liability positions and pricing. Unlike other banks who have active treasuries, CCB has minimal appetite for market risks. The Bank's exposure to interest rate and basis risk movement is kept very low. The Bank had no exposure to foreign exchange risk at the balance sheet date and has no appetite for risk of this nature in the future. It does not have a trading book and its investment of surplus funds is primarily with the Bank of England or in High Quality Liquid Assets (HQLA).
Management of the risk	Interest rate risk is monitored on an ongoing basis. This includes the use of models to undertake stress testing. Market risks are overseen by ALCO who will ensure appropriate hedging strategies are applied to keep the exposures within the defined risk appetite. The Risk & Compliance Committee receive monthly reports on Market Risk exposures.
Policies and Governance Documents	Asset and Liability Management Policy Interest Rate Risk in the Banking Book Policy HQLA Policy

Strategic Risk

Definition	Strategic Risk is the risk that the Bank fails to execute its strategic plan due to either internal or external factors. Business and financial performance risk is the risk of significant loss, loss of earnings arising from business decisions and external developments
Risk Appetite	The Bank has no appetite for significant, unplanned variances from the strategic plan or budget, without Board approval. It only has an appetite for strategic risk where it supports its approved business model, sustainable growth, operational efficiency, high quality lending and a conservative approach to funding and liquidity.
Management of the risk	Regular financial and balance sheet MI is presented to the Board to enable it to monitor actual performance against budgeted performance. In addition, the Board discusses any planned or inadvertent deviation from the agreed strategic plan. The Bank has set specific financial objectives in terms of return on equity, net interest income, total income and net profit. It also sets target limits on expenditure. Management action will be taken if these targets are not met. The Bank also monitor a series of economic factors as early warning indicators of a strategic risk. These includes trends in inflation, property prices, gross domestic product and interest rates.
Policies and Governance Documents	Strategic Plan Risk Appetite Statements

Capital Risk

Definition	Capital Risk is the risk that the Bank fails to hold (or cannot access) sufficient capital to meet its regulatory obligations, support its growth plans or to absorb shocks.
Risk Appetite	The Board requires that it has sufficient Capital to: • provide resilience and an ability to absorb severe yet plausible risk events; • support the growth plans outlined in the strategic plan; and • be fully compliant with regulatory requirements.
Management of the risk	On a monthly basis, both the Bank's capital adequacy position and a rolling 12-month forecast are reviewed. Furthermore, risk metrics and early warning indicators are monitored in order to highlight any potential future issues and prompt remedial action. The Bank regularly undertakes stress testing to ensure it has sufficient capital to operate in times of severe but plausible stress. The Risk & Compliance Committee receive monthly reports on the current and forecast capital position of the Bank. The adequacy of the capital is also tested through the annual ICAAP.
Policies and Governance Documents	ICAAP Recovery Plan Capital Risk Appetite Statement Capital Management Policy Ordinary Equity Share Dividend policy

Funding Risk

Definition	Funding Risk for CCB is the risk that it is unable to raise funds at an acceptable price or tenor or to access funds in a timely manner
Risk Appetite	The Board wish deposit balances to grow in line with gross lending and maintain the Loan to Deposit Ratio (LDR). The Board wish to maintain a balanced mix of short and long-term funding and have set targets for the level of funding maturing in a range of time buckets. The Board do not wish to be exposed to funding concentration risks. It has thus defined limits on the total funding accepted from single, or groups of, related customers and the source of funding in terms of brokers.
Management of the risk	Funding Risks are monitored daily via the Daily Liquidity and Funding Dashboard against prescribed risk metrics and early warning indicators. Senior Management review the funding position on a weekly basis at the Funding Group. The Funding Group undertakes weekly monitoring and forecasting of cash flow and funding requirements for the Bank. The Group monitors all cash flow related activity across the customer deposit and lending product range which impact the current and future funding position of the Bank. The Group receives and reviews the 20-week forecast and monitors the actual and projected funding and liquidity metrics of the Bank The cost of funding for the Bank relative to its peers is also monitored on an ongoing basis. Funding risks are overseen by ALCO and the Products Committee who will ensure appropriate action is taken to keep the exposures within the defined risk appetite. The Risk & Compliance Committee receive monthly reports on Funding Risk. Funding Risk is also considered as part of the ILAAP, LCP and Recovery Plan.
Policies and Governance Documents	ILAAP Liquidity Contingency Plan Recovery Plan Liquidity & Funding Risk Appetite Statements Asset-Liability Management Policy Deposit Protocols

Liquidity Risk

Definition	Liquidity Risk is the risk that the Bank is unable to meet its short to medium term commitments as they fall due or that they can only be met at an uneconomic price.
Risk Appetite	The Board's primary objective is to ensure that Bank can meet is ongoing liabilities in times of server but plausible stress. The Board require the Bank to hold sufficient liquid assets to survive a liquidity stress for a period greater than 110 days. The Board also wish to maintain a buffer over the regulatory requirements. The Board has no appetite for cross currency liquidity exposures.
Management of the risk	Liquidity Risks are monitored daily via the Daily Liquidity and Funding Dashboard against prescribed risk metrics and early warning indicators. Senior Management review the liquidity position on a weekly basis at the Funding Group. In order to mitigate against liquidity risk, the Bank holds a portfolio of high quality liquid assets which ensures that the it can meet its financial obligations as they fall due. Liquidity risks are overseen by ALCO who ensure appropriate action is taken to keep the exposures within the defined risk appetite. The Risk & Compliance Committee receive monthly reports on Liquidity Risk. Liquidity Risk is also considered as part of the ILAAP, LCP and Recovery Plan.
Policies and Governance Documents	ILAAP Liquidity Contingency Plan Recovery Plan Liquidity & Funding Risk Appetite Statements Asset-Liability Management Policy HQLA Policy

Intra-day Liquidity Risk

Definition	Intra-day liquidity risk is the risk that the Bank fails to manage its intraday liquidity effectively, which could leave it unable to meet a payment obligation at the time expected.
Risk Appetite	The Board wish to have minimal intra-day liquidity risk exposure
Management of the risk	The Bank ensures that it has at least 24 hours' notice of all material payments it would be required to make to customers, suppliers, government agencies and other third parties. In addition, the Bank's settlement account always holds a balance considerably in excess of what it is advised in advance will be required for payments out the following day.
Policies and Governance Documents	ILAAP Liquidity & Funding Risk Appetite Statements Asset-Liability Management Policy HQLA Policy IRRBB Policy

Compliance & Regulatory Risk (incorporating Legal Risk)

Definition	Compliance and Regulatory Risk is the risk of failing to identify, understand, monitor and comply with relevant laws, regulations, licence conditions, supervisory requirements, and regulatory guidelines, which could give rise to fines, litigation, sanctions and the potential for material adverse impact on the Bank. It is also the failure of not keeping regulators informed of relevant issues and not responding effectively to information requests and regulatory reviews
Risk Appetite	The Board wishes to keep compliance and regulatory risk to a minimum, as this is a risk that is a by-product of undertaking its deposit and lending activities. The Board acknowledge that compliance and regulatory risks can potentially generate high losses, albeit with a very low probability.

Management of the risk	The Bank has established a robust control framework to minimise the risk of failing to comply with the appropriate regulations. The Bank has policies, monitoring plans and procedures in place to establish compliance with regulatory & legal requirements and guidelines. The Compliance Monitoring Plan is designed to identify actual or potential breaches and create remediation plans as required. The Bank has a horizon scanning process, which ensures the Bank is prepared for changes in laws and regulation. Staff are required to complete mandatory compliance and regulatory training at induction and on a periodic basis. The Risk & Compliance Committee receive monthly reports on all compliance and regulatory risk issues.
Policies and Governance Documents	Examples of Compliance and Regulatory Policies include: • Data Protection Policy • Non-Audit Services Policy, • Remuneration Policy • Whistle Blowing policy

Financial Crime

Definition	Financial Crime Risk is the risk that the Bank is used to facilitate financial crime in relation to itself, its customers or third parties.
Risk Appetite	The Board wish to ensure the Bank has controls in place, such that it does not facilitate money laundering, tax evasion or any other form of financial crime.
Management of the risk	The Bank has established a robust control framework to minimise the opportunities for financial crime to occur or remain undetected. The Bank has a Financial Crime Policy Handbook and a separate whistle blowing policy. These are supported by a series of bank-wide policies, monitoring plans and procedures. The monitoring framework is designed to establish the application and effectiveness of the controls, and create remediation plans as required. Staff are required to complete mandatory financial crime training at induction and on a periodic basis The Risk & Compliance Committee receive monthly MI on all Financial Crime risk issues. This confirms that the standards defined in the Financial Crime Policy are maintained.
Policies and Governance Documents	The Financial Crime Policy includes: • Anti-Money Laundering & Counter Terrorist Funding Policy • Customer Risk Verification and Identification Policy • Anti-Bribery & Corruption Policy • Anti-Fraud Policy • Conflicts of Interest including Gifts & Hospitality Policy • Whistle Blowing policy • Financial Crime Policy

Conduct Risk

Definition	Conduct Risk is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales marketing processes and operational delivery or failures in the behaviour or ethics of its staff or its third-party distributors / suppliers. Conduct Risk within CCB is lower than in many other banks of a similar size due to the nature of its product offerings and its strategic focus on non-retail customers. CCB does not undertake regulated lending or provide payment services: Furthermore, CCB does not currently operate in the money markets and is not large enough to have any influence on market stability.

Risk Appetite	The Board have approved a Conduct Risk & Conduct Rules Policy that clearly defines the behaviours it expects from the Bank as a whole, individual staff and third parties who undertake activities / services on behalf of the Bank. The Board wish to ensure that at all times the Bank's customers are treated fairly and the Bank and its staff meet the Conduct Principles as defined by the FCA. The Board will not approve strategies, policies (including those relating to remuneration and reward), practices or behaviours that would result in a poor outcome for its customers or other stakeholders. The Board will only approve straightforward products using distribution strategies that meet the customers' needs in order to deliver fair outcomes.
Management of the risk	The Bank has a Conduct Risk & Conduct Rules Policy which aims to minimise Conduct Risk. The Bank has formal mechanisms in place to identify, evaluate, and respond to individual Conduct Risks. In addition, the Bank has a monitoring program to establish the effective application of the conduct rules across all areas, and creates remediation plans as required. The Bank has a team dedicated to ensuring customer complaints are handled appropriately and in line with the relevant legislation. Customer Satisfaction Surveys are undertaken on a regular basis, to identify any weakness in the conduct of the Bank, its staff and related service providers. Staff are required to complete appropriate conduct and behaviour training, which includes ensuring fair treatment of vulnerable customers. The Bank's remuneration policy ensures staff are not encouraged to sell products that are not appropriate for the bank's customers. The Bank's selection and recruitment processes are aligned to ensure its people have the relevant skills to mitigate any conduct risk. The Risk & Compliance Committee receive monthly MI on all Conduct Risk issues.
Policies and Governance Documents	Board Governance & Control. Conduct Risk & Conduct Rules Policy. Vulnerable Customers Policy. Whistle Blowing Policy. Remuneration Policy. Financial Promotions and Complaints Handling Procedures

Treasury Counterparty Risk

Definition	Treasury Counterparty Risk is the risk of wholesale Treasury Counterparties being unable or unwilling to meet a commitment that they have entered into with the Bank The Bank has immaterial exposure to over the counter derivatives and currently only transacts in derivatives with its clearing bank,
Risk Appetite	The Board have defined limits which limit the Bank's exposure to any one Treasury Counterparty. All Treasury Counterparties must have a short and long term investment grade rating.
Management of the risk	The Treasury Counterparty exposures are monitored against the approved limits on a daily basis and reported via the Liquidity and Funding Dashboard. The ratings of the Treasury Counterparties are monitored on a regular basis to assess any change in the risk of default. Treasury Counterparty risks are overseen by ALCO who will ensure appropriate action is taken to keep the exposures within the defined risk appetite. The Risk & Compliance Committee receive monthly reports on Counterparty Risk.
Policies and Governance Documents	Assets & Liability Management Policy

Tax Risk

Definition	Tax Risk is the risk of financial or reputational loss through failed or inadequate processes for the management of the Bank's tax obligations or the reporting associated with its customers' tax obligations. The Bank's tax risk is limited as the Bank does not employ tax avoidance schemes and manages its taxes based on a simple underlying business model that maintains the Bank's good standing with the tax authorities.
Risk Appetite	The Board wish to comply with all tax obligations and tax reporting requirements for both the Bank and its customers.
Management of the risk	The Bank's own tax obligations are monitored by the Finance Department and assurance is provided as part of the annual external audit of the statutory accounts. Management of the risks associated with external reporting of customer tax obligations are undertaken in line with operational risk and control arrangements. The Risk & Compliance Committee receive monthly reports on any issues pertaining to the Bank's management of Tax Risk. The Audit Committee review the Statutory Accounts and External Auditors Report on an annual basis.
Policies and Governance Documents	Tax Risk Policy

Reputation Risk

Definition	Reputation risk is the threat or danger to the Bank's good name or standing following an adverse risk event. The Bank recognises that the reputational impact of negative events or negative media coverage arising from the materialisation of other risks may include a reduction in the Bank's ability to lend, raise deposits, attract talent, or attract commercial partners.
Risk Appetite	The Board wish to meet its corporate, social or environmental responsibilities. The Board wish to maintain the Bank's good name in the local and wider community.
Management of the risk	The Bank mitigates Reputation Risk through the application of its Risk Management Framework and approach to managing all risk types. As such, Reputation Risk is considered as part of all decision making. The Bank receives daily reports on media coverage relating to the Bank to enable it to address any adverse publicity in a timely manner. The growing use of social media has increased the potential for reputational damage for every financial institution. CCB has established clear guidelines for all staff in the use of social media. Any issues that could damage the reputation of the Bank would be reported to the Board immediately. All Executives are aware of their responsibilities in this regard.
Policies and Governance Documents	Conduct Risk and Conduct Rules Policy Social Media Policy & Strategy

Non-Applicable Risks – Securitisation

Definition	The risks arising from Securitisation transactions in relation to which the Bank is an investor, originator or sponsor, including reputational risks, to ensure in particular that the economic substance of the transaction is fully reflected in risk assessment and management decisions
Note	The Bank has not invested, originated or sponsored any securitisation transactions. Securitisation risk is not applicable to the Bank's business model.

Non-Applicable Risks – Settlement Risk

Definition	Settlement risk arises where transactions in debt instruments, equities, foreign currencies and commodities are unsettled after their due delivery dates.
Note	The Bank does not invest in debt instruments (other than gilts), equities and commodities or have exposure to foreign currency transactions and therefore settlement risk is not a risk that the Bank considers material.

Non-Applicable Risks – Group Risk

Definition	Group Risk for CCB is the risk that the financial position of the Bank may be adversely affected by its relationships (financial or non-financial) with other entities in the Bank.
Note	CCB does not consider that it is exposed to this risk as it is a single entity.

Brexit Risk

The Bank has assessed the impact of the UK's potential exit from the European Union. The Bank do not consider that the proposed exit will have a significantly destabilising impact on the Bank's performance. This conclusion has been reached after taking account of a number of factors including:

- All of the Bank's Staff and key suppliers are based in the UK;
- All of the Bank's customers are UK based and all the assets that it has financed are UK based;
- Management have already incorporated into the Bank's business plan an expectation of greater uncertainty in the UK macro-economic environment which is likely to result in reduced demand for new finance and reduced mortgaging activity in the real estate and asset finance markets as well as potential reduced levels of savings balances. The Bank has modelled a scenario where the operating environment has unemployment and inflation increasing, and demand for finance and property prices reducing. In particular the scenario includes bank base rate rising to 4%, residential property prices reducing by 33%, commercial property prices falling by 46% and customers income reducing by 10%. The result of the modelling show that the Bank can withstand this significant downturn and that, after taking reasonable management actions, all of which are within its own control, does not breach its regulatory capital and liquidity requirements.
- The Bank maintains strong liquidity positions with its Liquidity Coverage Ratio around three times higher than the regulatory minimum at the end of 2018. The Bank plans to maintain this level of liquidity in the short term until the UK's exit from the EU is complete or the Government's planned exit strategy is agreed.

5. Remuneration

As a Bank with less than £15bn of assets, the Bank is classified as a "Proportionality Level 3" firm for the purposes of the disclosure of remuneration under the Bank of England Supervisory Statement SS2/17 and in compliance with the CRR and the EBA guidelines on Remuneration Disclosure. The Bank has followed the regulator's guidance on materiality and proportionality.

The following disclosures meet the requirements for a Level 3 proportionality firm:

The Performance and Remuneration committee is chaired by Caroline Fawcett, an independent Non-Executive Director, and is composed entirely of NEDs and met twice during 2018. In these meetings, the committee, in carrying out its responsibility for overseeing the performance and remuneration arrangements of the Bank, discussed the performance of all Executive Directors and the Chairman.

It also reviewed pay and bonus arrangements, approving awards where appropriate based on performance and also market bench marking for salaries. The committee approved payment of the 2017 bonus scheme (paid in March 2018) and salary reviews for all staff. They also challenged and approved the performance criteria for the 2018 sales bonus scheme and new profit share scheme (payable in March 2019). The committee specifically challenged and discussed the Bank's long term incentive plan scheme, approving changes that linked it more directly to the achievement of the 3 year strategic plan targets. The committee also reviewed the Bank's remuneration policy to ensure that it remains up to date and consistent with the relevant requirements of the FCA remuneration code (SYSC 19D) and the Prudential Regulation Authority (PRA) rulebook.

Remuneration Policies

The Bank's remuneration policy is to ensure that the Bank attracts and retains key talent in order to create sustainable long-term value for shareholders.

CCB's remuneration policy is to:

1. Attract, develop and retain high performing people with the ability, experience and skill to deliver the business strategy and objectives;
2. Offer competitive and market aligned remuneration packages in which fixed salaries are the significant component and that people, regardless of their gender, are paid the same rate for the same job;
3. Encourage and incentivise employees to create sustainable results, which are consistent with strategic goals and appropriate risk management, and align the interests of the Bank's shareholders, customers and employees; and
4. Drive behaviour consistent with the CCB values and the FCA Code of Conduct so that employees do what is right for the customer, for colleagues and the Bank.

The policy and structure are consistent with the Bank's long-term strategy including the overall business strategy, the risk strategy and the risk appetite across all types of risk such as credit, market, liquidity, reputational, conduct and other risks identified by the Bank.

This is achieved through the application of the following six principles which are adhered when designing or implementing any aspect of remuneration:

i. The Bank offer a competitive total reward package that is designed to be motivating and compelling and is regularly reviewed against market rates;
ii. Reward is linked to employees' behaviours and values as well as achievement: the 'how' as well as the 'what';
iii. The Bank's remuneration structures are straightforward; as such they are transparent, communicated and understood by employees and all our stakeholders;

iv. There is a clear link between business, team and individual performance and reward, and people can explain when and why adjustments for performance have been applied;

v. The Bank's remuneration practices are consistent with and promote sound and effective risk management and are fully compliant with all appropriate governance, regulatory requirements and codes of practice.

The remuneration policies, packages and processes are designed to be affordable, consistent and efficient and do not limit the Bank's ability to strengthen its capital base.

Remuneration for Executive Directors

Th table below summarises the remuneration policy for 2018 for Executive Directors:

Element of Remun-eration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Salary	The Performance & Remuneration Committee and Nominations and Governance committees are committed to adhering to the Financial Services Remuneration Code, thus ensuring that the Bank has risk-focused remuneration policies: a) Reflects skills and experience over time b) Reflects the value of the individual and their role c) Provides an appropriate level of basic fixed income d) Avoids excessive risk from over reliance on variable income	Reviewed annually Takes periodic account of practices of financial institutions of similar size, characteristics and sector comparators	There is no prescribed maximum annual increase The Performance & Remuneration Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of a role.	An element of performance-related pay applies
Benefits	To aid retention and recruitment	Company car allowance, the provision of private medical insurance, life assurance and permanent health insurance	Not applicable	Not applicable
Bonus	Incentivises annual delivery of financial and strategic goals Maximum bonus only payable for achieving business and personal targets	Paid in cash Not pensionable	30% of salary	A combination of 50% company and 50% individual performance measures with a deferred element of amounts over 20% of salary paid over 3 years
Long Term Incentive Plan (LTIP)	Aligned to main strategic objectives of delivering sustainable growth as set out in the Bank's strategic plan	Grant will be awarded each financial year Paid in cash Not pensionable	20% of base salary	Measured over 3 years based on financial and non-financial performance measures with good and bad leaver elements Cancellation elements apply
Pension	Provides retirement benefits Opportunity for executives to contribute to their own retirement plan	Defined contribution	Bank contribute 10% of salary provided executives contribute a min 3% of salary. Executives salary exchange on same terms as other employees	Not applicable

The choice of the performance metrics applicable to the annual bonus scheme reflects the Board's belief that any incentive compensation should be appropriately challenging and tied to the delivery of the defined financial and risk management objectives, along with specific individual objectives. An element of deferral applies to the Executive Directors' bonus scheme.

The LTIP performance conditions were selected by the Performance & Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Bank's financial growth, and are consistent with the Bank's objective of delivering specific long-term value to shareholders.

The Performance & Remuneration Committee operates the LTIP in accordance with the plan rules, consistent with market practice and retains discretion over a number of areas relating to the operation and administration of the plan.

Benefits offered to Executive Directors apply from the commencement of employment.

Remuneration policy for other employees

The Bank's approach to annual salary reviews is consistent across the business with consideration given to affordability, the level of experience, responsibility, individual performance and salary levels in comparable companies.

Pension and benefits provided to all employees are broadly in line with the policy for Executive Directors, although the commencement of benefits may be subject to longer periods of eligibility at the start of employment.

Remuneration policy for Non-Executive Directors

All Non-Executive Directors are appointed for an initial term of 36 months and may be terminated by either party upon three months' written notice. Non-executive fees are set in line with the policy in the table below. Non-Executive Directors are not eligible to participate in any of the benefits given to employees or Executive Directors with the exception of private medical insurance.

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Fees	– Reflects time commitments and responsibilities of each role – Reflects fees paid by financial institutions of similar size, characteristics and sector comparators	– Cash fee paid – Reviewed on an annual basis	– There is no prescribed maximum annual increase. The Performance & Remuneration Committee is guided by market rates and the general increase for the Executive Director population	– Non-Executive Directors do not participate in variable pay elements

Remuneration of Material Risk Takers

The table below sets out the remuneration of the Bank's Executive and Non-Executive Directors. These members of staff have been classified as 'Code Staff' as they have a material impact on the risk profile of the Bank. There were no employees who earned in excess of €1m.

Business Area	Year to 31 December 2018	Year to 31 December 2017
No of material risk takers	31	28
Total Remuneration £m	4.1	3.1
Variable remuneration as a % of total remuneration	16%	13%
Variable remuneration £m	0.5	0.4
Amounts receivable under long term incentive schemes £m	0.1	0.1
Compensation for loss of office £m	0.2	0.2

Remuneration of Staff by Business Area

The table below shows the breakdown of staff costs by Business area during 2018.

Business Area	Year to 31st December 2018	Year to 31st December 2017
Average Staff Numbers	143	125
Staff Costs (£m)		
Customer Facing	2.4	
Non-Customer Facing	7.8	
Total Costs	10.2	8.3

6. Capital Resources

6.1. Available Capital Resources

The Bank manages its capital under the Capital Requirements Regulation and Capital Requirements Directive (together referred to as CRD IV) which came into force on 01 January 2014. The framework is enforced in the UK by the PRA. The PRA sets and monitors minimum capital requirements for the Bank.

The Bank's policy is to maintain a strong capital base to maintain investor and market confidence and to sustain the future development of the business. The Board manages its capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP. The Bank presents regular reports on the current and forecast level of capital to the Executive Committee, ALCO, Risk & Compliance Committee and to the Board.

The Bank has elected to use the standardised approach for credit risk and the basic approach to operational risk. The Bank is not exposed to Market Risk.

The ICAAP documents the risks faced by the Bank and how it manages and mitigates those risks. It is also used by the Board and management to understand the levels of capital required to be held over the year, the medium term and to ensure sufficient capital is available to enable the Bank to survive in times of stress. The Bank submitted its most recent ICAAP to the PRA in February 2019. The key assumptions and risk drivers used in the strategic plan and ICAAP are regularly monitored and reported and any material deviation from the forecast and risk profile of the Bank requires management intervention and review of the ICAAP.

Under CRD IV, the Bank must set aside capital equal to 8% of its total risk weighted assets to cover its 'Pillar 1' capital requirements. The Bank must set also set aside additional 'Pillar 2' capital to provide for additional risks. The ICAAP is the Bank's internal assessment of its Pillar 2 capital requirements, which the PRA reviews and advises its expectations of the level of Pillar 2 capital to be held. This requirement is referred to as the Bank's Total Capital Requirement (TCR, previously ICG). The Bank's maintains its capital base in excess of its TCR and has complied with all externally imposed capital requirements during 2017 and 2018. The PRA also monitors capital adequacy through regulatory returns.

As at 31 December 2018, the Bank's capital base was £127.2m, all of which was Tier 1 capital. The Bank's regulatory capital consists of the following elements:

	Common Equity Tier 1 (CET1)	Tier 1 Capital	Notes
Ordinary Share Capital	✓	✓	
Retained Earnings	✓	✓	
Fair Value through other comprehensive income reserve	✓	✓	
Regulatory Adjustments	✓	✓	IFRS 9 transition relief based on a 95% transition factor
Deductions	✓	✓	Intangible assets
Perpetual Convertible Loan Notes		✓	Additional Tier 1 capital

The total assets of the Bank at 31 December 2018 were £1,032.1m. The capital resources at 31 December 2018 totalled £127.2m. The tables below set out the Bank's capital resources and capital ratios at 31 December 2018, and how the resources reconcile to the Bank's reported statutory capital.

Own funds disclosure

	Own Funds – Regulatory disclosure template 31 December 2018 £'000	2018 £000s	2017 £000s
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts		
	of which: Ordinary share capital	44,955	23,955
2	Retained Earnings	57,252	39,352
3	Accumulated other comprehensive income	73	36
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	102,280	**63,343**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
8	Intangible assets	(846)	(520)
10	Deferred tax that rely on future profitability excluding those arising from temporary differences		
	Transitional adjustments on adoption of IFRS 9	2,905	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	2,059	(520)
29	**Common Equity Tier 1 (CET1) capital**	104,339	62,823
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts		
31	of which: classified as equity under applicable accounting standards	22,900	12,900
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	22,900	12,900
	Additional Tier 1 (AT1) capital: regulatory adjustments	-	
44	**Additional Tier 1 (AT1) capital**	22,900	12,900
45	**Tier 1 capital (T1 = CET1 + AT1)**	127,239	75,723
	Tier 2 (T2) capital: instruments and provisions		
50	**Credit risk adjustments**		1,795
51	**Tier 2 (T2) capital before regulatory adjustments**		
	Tier 2 (T2) capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		1,795
58	**Tier 2 (T2) capital**	-	1,795
59	**Total capital (TC = T1 + T2)**	127,239	77,518
60	**Total risk weighted assets**	621,368	561,633
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.79%	11.19%
62	Tier 1 (as a percentage of total risk exposure amount)	20.48%	13.48%
63	Total capital (as a percentage of total risk exposure amount)	20.48%	13.80%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a % of risk exposure amount)*	7.38%	6.25%
65	of which: capital conservation buffer	1.88%	1.25%
66	Of which: counter cyclical buffer	1.00%	0.50%
67	Of which: Global systemically important institution		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.79%	3.19%

*Article 92(1) sets a CET 1 requirement of 4.5% for all institutions. This together with the capital conservation buffer and counter cyclical buffer gives a total of 7.38%.

Reconciliation of Statutory and Regulatory Equity

£'000	2018	2017
Equity as per statement of financial position	125,180	76,243
Regulatory adjustments		
Add collective impairment allowance	-	1,795
Less intangible assets	(846)	(520)
IFRS 9 Transitional Adjustment	2,905	-
Total regulatory capital	127,239	**77,518**

6.2. Leverage Ratio

The CRD IV framework requires firms to calculate a non-risk-based leverage ratio that is a supplementary measure to the risk-based capital requirements. The ratio is defined as Tier 1 capital divided by the total on and off-balance sheet leverage exposures expressed as a percentage. The Bank's ratio is significantly higher than the regulatory requirement. This ratio is designed to prevent the build-up of excessive leverage.

Leverage Ratio £'000	Regulatory Minimum	2018	2017
Total Tier 1 Capital		127,239	75,723
Exposures			
Balance sheet exposure (Inc. Derivative PFE exposure)		1,031,285	880,532
Off balance sheet exposure		19,849	42,870
Total Exposures		1,051,134	923,402
Leverage Ratio	3%	12.10%	8.20%

Leverage ratio regulatory disclosures

Table LRSum : Summary reconciliation of accounting assets and leverage ratio exposures (2018)		
	£'000	Applicable amount
1	Total assets as per published financial statements *	1,032,088
4	Adjustments for derivative financial instruments	25
6	Adjustment for off-balance sheet items	19,849
7	Other Adjustments *	(828)
8	Leverage ratio total exposure measure	1,051,134

* Includes intangibles and off-balance sheet provisions

Table LRCom: Leverage ratio common disclosure		
	£'000 On-balance sheet exposures	CRR leverage ratio exposures 2018
1	On-balance sheet items *	1,032,106
2	Asset amounts deducted in determining Tier 1 capital	(846)
3	Total on-balance sheet exposures	1,031,260
	Derivative exposures	
5	Add-on amounts for PFE associated with all derivative transactions	25
11	Total derivative exposures	25
	SFT exposures	
16	Total securities financing transaction exposures	-
	Off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	149,868
18	(Adjustments for conversion to credit equivalent amounts)	(130,019)
19	Other off-balance sheet exposures	19,849
	Capital and Total Exposure Measure	
20	Tier 1 capital	127,239
21	Leverage ratio total exposure measure	1,051,134
	Leverage Ratio	
22	Leverage ratio	12.10%
	Choice on transitional arrangements	
EU-23	Basis of disclosure of the leverage ratio	Transitional Basis
EU-24	Amount of derecognised fiduciary items	0

*Adjusted for off-balance sheet impairment provisions of £0.018m

Table LRSpl: Split-up of on balance sheet exposures		
	£'000s	CRR leverage ratio exposures 2018
EU-1	**Total on-balance sheet exposures, of which:**	**1,031,260**
EU-5	Exposures treated as sovereigns	246,146
EU-7	Institutions	14,384
EU-8	Secured by mortgages on immovable properties	677,662
EU-10	Corporate	82,240
EU-11	Exposures in default	9,132
EU-12	Other exposures	1,696

High risk loans are split between Corporates and Secured by mortgages on immovable properties

6.3. IFRS 9 Transition Template

On 1 January 2018, CCB adopted IFRS 9. The table below discloses the impact of the transition adjustment on own funds and the leverage ratio.

IFRS 9 Transition Template			
		a	e
		31/12/2018	31/12/2017
		IFRS 9	IAS 39
Available capital (£000s)			
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	101,434	N/A
3	Tier 1 capital	127,239	75,723
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	124,334	N/A
5	Total Capital	127,239	77,518
6	Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	124,334	N/A
Risk-weighted assets (amounts)			
7	Total risk-weighted assets	621,368	561,633
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	621,368	N/A
Capital Ratios			
9	Common Equity Tier1 (as a percentage of risk exposure amount)	16.79%	11.19%
10	Common Equity Tier1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.32%	N/A
11	Tier 1 (as a percentage of risk exposure amount)	20.48%	13.48%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.00%	N/A
13	Total capital (as a percentage of risk exposure amount)	20.48%	13.80%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.00%	N/A
Leverage ratio			
15	Leverage ratio total exposure measure	1,051,134	923,402
16	Leverage ratio	12.10%	8.20%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.83%	N/A

The leverage ratio increased during the year from 8.20% to 12.10%. This was driven by an increase in the capital resources due to an increase in share capital of £21m, an increase in additional Tier 1 perpetual loan notes of £10m and retained earnings for 2018 of £22.5m. The increase in the leverage exposure measure reflects the growth in the Bank's customer loans and advances during 2018.

Managing the risk of Excess Leverage (LRQua)

The risk of excessive leverage is managed through regular monitoring and reporting of the leverage ratio, which forms part of the risk appetite framework. Given that the Bank's balance sheet is focused on lending on commercial and residential property, the risk of material unexpected movements in the leverage exposure measure is limited. The Bank's leverage ratio is significantly higher than the regulatory minimum.

7. Capital Requirements

This section is divided into Pillar I and Pillar II.

Pillar I regulatory capital deals with the regulatory capital calculated for the three major components of risk that the Bank faces:

a) credit risk (including counterparty credit risk);
b) operational risk; and
c) market risk.

7.1. Pillar 1 - Risk Weighted Exposure Amounts

The assets of the Bank are analysed by risk category and given weightings according to the level of risk entailed. The Bank's credit risk consists of counterparty credit risk and all other credit risk, principally arising from its loans and advances to customers.

The Bank's minimum capital requirements are calculated by applying credit risk weightings to the risk weighted assets. The credit risk weightings are determined by the "Standardised Approach" as set out in the CRR. The Bank uses Moody's Investors Service as its nominated External Credit Assessment Institution (ECAI) for all standardised counterparty credit risk exposure classes.

Overview of RWA (OV1)

Overview of RWA (OV1) £'000 31 December			Risk Weighted Assets*		Minimum Capital Requirements
			2018	2017	2018
	1	Credit risk (excluding CCR)	546,029	503,111	43,682
Article 438(c)(d)	2	Of which standardised approach (SA)	546,029	503,111	43,682
Article 107 Article 438(c)(d	6	Counterparty credit risk (CCR)	2,906	4,037	232
	9	Of which SA-CCR	2,889	4,031	231
	12	Of which CVA	17	6	1
Article 438(f)	23	Operational risk	70,234	53,863	5,619
	24	Of which Basic Indicator Approach	70,234	53,863	5,619
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,199	633	176
	28	Floor adjustment	-	-	-
	29	Total	621,368	561,644	**49,709**

*after the application of SME factor where appropriate
*This table excludes the effect of credit valuation adjustment of £0.017m.

The Bank's minimum capital requirement has increased by over 30% over the past twelve months principally reflecting the growth in loans and advances to customers.

8. Credit Risk

Credit risk is the risk of financial loss as a result of a customer or counterparty failing to meet their financial obligations as they fall due. Credit risks are inherent across most of the Bank's activities and may arise from changes in credit quality, and the recoverability of loans and amounts due from counterparties. Adverse changes in the credit quality of borrowers or a general deterioration in economic conditions could affect the recoverability and value of the Bank's assets and therefore its financial performance.

The risk of financial loss from the Bank's exposures to derivative and repo instruments is reported as counterparty credit risk and is reported in section 9.

Comprehensive risk management methods and processes have been established as part of the Bank's overall governance framework to measure, mitigate and manage credit risk within the risk appetite. Credit risk is managed in accordance with lending policies, the risk appetite and risk management framework. Lending policy outlines the approach to lending, underwriting criteria, credit mandates, concentration limits and product terms. Performance against the risk appetite is reviewed regularly.

The Bank seeks to mitigate credit risk by focusing on business sectors where it has specific expertise and through limiting concentrated exposures on larger loans, certain sectors, specific geographic locations and other factors that can represent higher risk. The Bank also obtains security cover and where appropriate, personal guarantees from borrowers. Credit risk is principally assessed through the manual underwriting of all transactions.

The main product lines include lending secured against property, asset finance and classic car finance.

The Bank specialises in providing secured lending for SMEs. The Bank lends to experienced commercial and residential property investors as well as to owner occupied businesses to invest in their own commercial premises.

The asset finance business provides finance to SMEs for business-critical assets through hire purchase and finance lease facilities. The Asset Finance product offering has been extended in 2018 to provide finance for the purchase of classic cars.

All applications are reviewed and assessed by a team of experienced underwriters. All properties are individually valued, and detailed property reports are produced to ensure the property represents suitable security. Affordability assessments are also performed on all loans and other forms of security are often obtained, such as personal guarantees. Loans are secured on properties solely located in the UK, concentration risks are monitored, and credit exposures are diversified by sector and geography.

The Bank's exposure to credit risk (gross) is as follows:

£'000	2018	2017
Cash and balances at central banks	232,286	164,295
Loans and advances to banks	14,384	20,091
Debt securities - Gilts	13,350	3,107
Loans and advances to customers**	777,084	693,538
Other Exposures	3,052	1,785
Total on balance sheet**	**1,040,156**	**882,816**
Off-balance sheet treasury bills	106,000	60,000
Commitments to lend*	43,868	84,781
Gross credit risk exposure	**1,190,024**	**1,027,597**
Less allowance for impairment losses	(8,068)	(3,584)
Net credit risk exposure	**1,181,956**	**1,024,013**

*Commitments to lend represent agreements entered into but not advanced as at 31 December.

** Gross of cash collateral deposits

The above table represents the maximum credit risk exposure to the Bank at 31 December 2018 and 2018 without taking account of any underlying security. At 31 December 2018 the value of security held as collateral against drawn loans and exposures is £1,291m (2017: £1,162m) of which £1,290m (2017: £1,161m) is in the form of property, £0.8m (2017: £0.8m) is in the form of cash deposits and the Bank also owns the title to the assets financed under its Hire Purchase and Finance lease agreements.

Credit risk exposure and capital requirement

The following table shows the exposure values, risk weighted assets and Pillar 1 capital.

Credit Risk Exposure 31 December 2018	Exposure Value £'000		Risk Weighted Exposures £'000		Minimum Pillar 1 Capital Requirement (8% x risk weight) £'000	
Exposure Class	2018	2017	2018	2017	2018	2017
Government and central banks	245,636	167,402	0	0	0	0
Institutions	14,384	20,091	2,877	4,018	230	321
Secured by mortgages on commercial real-estate	360,400	324,612	330,083	292,802	26,407	23,424
Secured by mortgages on residential property	300,204	292,106	105,071	102,237	8,406	8,179
Corporates	81,674	48,121	71,004	37,618	5,680	3,009
Other loans	16,854	21,583	25,281	32,375	2,022	2,590
Past due items	9,132	4,531	9,182	4,912	735	393
Other items	2,206	1,265	3,016	1,451	241	116
Balance sheet Exposure	1,030,490	879,711	546,514	475,413	43,721	38,032
Derivative – potential future exposure add-on	25	13	13	13	1	1
Off balance sheet commitments including treasury bills	149,850	144,781	4,590	32,349	367	2,588
Total Exposure	1,180,365	1,024,505	551,117	507,775	44,089	40,621
Operational risk capital requirement			70,234	53,863	5,619	4,309
Credit Value Adjustment			17	6	1	0
Total Pillar 1 capital requirement	**1,180,365**	**1,024,505**	**621,368**	**561.644**	**49,709**	**44,930**

- Past due items are defined as any account which is three or more months in arrears.
- Other loans includes asset finance, unsecured and certain light refurbishment loans.
-Treasury bills relate to drawings under the Funding for Lending Scheme. The Bank has pre-positioned appropriate collateral with the Bank of England.
- Exposures are net of cash collateral deposits of £0.8m.
- Exposures (including off-balance sheet exposures) are net of loan loss provisions

Credit risk exposure by type

Credit Risk Exposure 31 December 2018 (all numbers net of loan loss provisions)	Exposure Value 2018 £'000	Exposure Value 2017 £'000
Government and central banks		
Repayable on demand	232,286	164,295
Marketable securities	13,350	3,107
Banks and building societies		
Repayable on demand	14,384	20,091
Derivatives	25	13
Loans and advances to customers	768,264	690,953
Other	2,206	1,265
Off balance sheet exposures	149,850	144,781
Total Exposure	1,180,365	1,024,505

Credit risk exposure – on and off-balance sheet reconciliation

The difference between the total credit risk exposures shown above of £1,180m and the total assets per the 2018 financial statements of £1,032m can be explained as follows;

31 December 2018	Exposure Value 2018 £'000	Exposure Value 2017 £'000
Total credit risk exposure (per table above)	1,180,365	1,024,505
Less:		
Off balance sheet customer loans and advances commitments	(43,868)	(84,781)
Off balance sheet treasury bills	(106,000)	(60,000)
Derivative potential future exposure add-on	(25)	(13)
Collective impairment provision		(1,795)
Add:		
Collateral deposits adjustments to loans	770	796
Verified intangible assets	846	520
Total assets per balance sheet	1,032,088*	879,232

-Treasury bills relate to drawings under the Funding for Lending Scheme. The Bank has placed appropriate collateral with the Bank of England.

*Net of provisions for off-balance sheet commitments

CR5 - Breakdown of exposures post-conversion factor and post risk mitigation techniques

The following table breaks down the Bank's credit risk exposure (net of conversion factors and collateral) by asset class and risk weighting.

The assets of the Bank are analysed by risk category and given weightings according to the level of risk entailed. Credit risk weightings are determined by the "Standardised Approach" as set out in the CRR. The Bank uses Moody's Investors Service as its nominated External Credit Assessment Institution (ECAI) for the Bank's exposure class.

Standardised Approach - Exposure by asset classes and risk weights (template 20: EU CR5)
31 December 2018 £'000

	Exposure class	Risk weighting						Total credit exposure	Of which unrated
		0%	20%	35%	100%	150%	250%		
1	**Central governments and central banks**	245,636						245,636	
6	**Institutions**		14,409					14,409	
7	**Corporates**				82,186			82,186	82,186
9	**Secured by mortgages on immovable property**			302,469	364,754			667,223	667,223
10	**Exposures in default**				9,031	101		9,132	9,132
11	**Exposures associated with particularly high risk**					16,914		16,914	16,914
16	**Other items***	510			816		880	2,206	1,696
17	**Total**	246,146	14,409	302,469	456,757	17,015	880	1,037,706	777,151

*Principally fixed assets and deferred tax

Standardised Approach - Exposures by asset classes and risk weights (Template 20: EU CR5) 31 December 2017 £'000									
	Exposure class	Risk weighting						Total credit exposure	Of which unrated
		0%	20%	35%	100%	150%	250%		
1	Central governments and central banks	167,402						167,402	
6	Institutions		20,104					20,104	
7	Corporates				50,271			50,271	50,271
9	Secured by mortgages on immovable property			303,107	349,513			652,620	652,620
10	Exposures in default				3,767	764		4,531	4,531
11	Exposures associated with particularly high risk					23,509		23,509	23,509
16	Other items*	195			817		253	1,265	1,070
17	**Total**	**167,597**	**20,104**	**303,107**	**404,368**	**24,273**	**253**	**919,702**	**732,001**

*principally fixed assets and deferred tax

The increase in exposures principally reflects the growth in the secured loan portfolio of £62m and asset finance portfolio of £20m and increased balances cash balances held at the Bank of England of £78m.

8.1. Credit Risk on Sovereign and Institutions

The Bank's credit risk appetite for counterparties is set out in its Risk Appetite which is set out in section 4. The Bank's credit risk arises principally as a result of Nostro accounts (held with Royal Bank of Scotland and Barclays), its Bank of England reserve account and its off-balance sheet T-bills drawn under the Funding for Lending Scheme with the Bank of England.

The selection of counterparties and the approval of limits is governed by the Bank's Counterparty Policy and involves consideration of background credit rating information as well as up to date credit reports and other market intelligence. ALCO reviews counterparty limits on a monthly basis and recommends changes to the Risk & Compliance Committee for approval. No exposure can be held with counterparties which do not have a pre-approved limit.

Credit risk weightings for treasury counterparties are determined by the "Standardised Approach" using credit quality steps as set out in the CRR.

The credit ratings and counterparties of the Bank's liquid asset exposures as at 31 December (on balance sheet) were as follows:

£'000	2018	2017
Cash and balances at central banks	232,286	164,295
Deposits at other banks		
- Rated* A or above	14,384	20,091
UK Government Gilts	13,350	3,107

*Ratings based on Moody's long-term rating

The Bank uses two UK clearing banks with a Moody's credit rating of single-A or above for deposits, clearing services and derivatives – Royal Bank of Scotland and Barclays.

8.2. Credit risk on Loans and Advances

Secured Lending

CCB only undertakes secured lending, either via property or via asset finance. The security profile of the loan portfolio is shown below:

	2018		2017	
	£m	%	£m	%
Secured on property	729	94	666	96
Secured on other assets	48	6	28	4
Unsecured	-	-	-	-
Total	777	100	694	100

In addition to security over property the Bank may also take additional security in the form of Director Guarantees and cash deposits.

There has been no change in the Bank's credit risk mitigation techniques or type of lending activities in 2018. The Bank continues to focus on lending to SME customers secured on property or, in the case of finance leases and Hire Purchase agreements, business essential assets or classic cars

Geographical Breakdown of Secured Lending

All of the Bank's property loans are secured on UK property. The table below outlines the Bank's credit exposure at 31 December on a regional basis.

Region	2018	2017
East Anglia	4%	4%
East Midlands	20%	18%
Greater London	4%	3%
North East	4%	5%
North West	19%	20%
Scotland	6%	4%
South East	6%	5%
South West	6%	7%
Wales	7%	7%
West Midlands	7%	8%
Yorkshire/Humberside	17%	19%
Total	100%	100%

8.3. Credit Quality – Past Due

CCB adopted IFRS 9 on 1st January 2018. IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model.

An assessment is made of each loan's risk profile, which determines the category that the account is assigned to. Accounts are now assigned to the three stages identified below:

Type of impairment assessment	Criteria for the Stage	Provisioning Basis	Basel Exposure Class
Stage 1	All performing loans. The loans have no outstanding arrears	12 month expected loss	Immoveable property, Corporate or High risk
Stage 2	The customer is at least 1 day in arrears and the arrears are not due to administrative reasons. The customer is in financial difficulty and the Bank have no robust explanation as to why the arrears have occurred (e.g. due to loss of rental income in order to progress a collateral sale). The customer is on the Bank's Watch list either due to arrears or payment history issues, or is a connected exposure to another account which has been included on the watchlist for those reasons. The property is in a sector or location that the Bank have deemed to be high risk. A significant increase in credit risk due to the credit rating model of via an external agency of the business development manager.	Lifetime loss	
Stage 3	The customer is over 90 days in arrears The customer has been declared bankrupt. The company has been wound up or a liquidator or administrator has been appointed. The account is part of a connected exposure where the borrower meets at least one of the above criteria across any connected account.	Lifetime loss	Past due

Impairment is individually assessed at account level using the Bank's impairment model. Accordingly, all impairment is treated as specific provisions.

The table below provides information on the payment due status of loans and advances to customers at 31 December. All residential and commercial loans and advances are secured on UK based assets.

£'000	2018	2017
Neither past due nor impaired	741,202	667,940
Past due but not impaired:		
Up to 1 payment missed	9,474	17,949
Up to 3 payments missed	13,611	348
Over 3 payments missed	75	1,386
Impaired	12,721	5,915
Total	777,083	693,538
Less allowances for impairment losses	(8,068)	(3,584)
Total loans and advances to customers	**769,015**	**689,954**

Impairment provisions against customer loans and advances at 31 December 2018 have been made up as follows:

£'000	Not credit impaired		Credit impaired	
	Stage 1: subject to 12- month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
At 1 January 2018	**3,041**	**2,383**	**1,790**	**7,214**
Profit and Loss Charge *	(715)	(212)	2,814	1,887
Write offs			(1,033)	(1,033)
Closing Balance	**2,326**	**2,171**	**3,571**	**8,068**
Income recognition adjustment **			(219)	(219)
Adjusted P&L Charge	**(715)**	**(212)**	**2,595**	**1,667**
At 1 January 2018	**3,041**	**2,383**	**1,790**	**7,214**
Analysis of Profit and Loss Charge				
Increase/(decrease) due to change in credit risk				
- Transfers to and from Stage 1	(599)	667	668	736
- Transfers to and from Stage 2	(90)	(117)	1,306	1,098
- Transfers to and from Stage 3	(10)	(436)	740	294
New loans originated	427	1	0	428
Derecognised loans	(461)	(327)	0	(788)
Loan commitments	18	0	0	18
Allowance utilised in respect of write offs	0	0	(933)	(933)
Write Offs	0	0	1,033	1,033
Total Profit and Loss Charge*	**(715)**	**(212)**	**2,814**	**1,887**
ECL coverage	**0.32%**	**5.41%**	**28.37%**	**1.04%**

* Excludes charges related to debt securities and includes interest originally charged on the gross carrying amount for credit impaired stage 3 assets which has subsequently been recalculated on the net carrying amount.
** Interest originally charged on the gross carrying amount for credit impaired stage 3 assets which has subsequently been recalculated on the net carrying amount. This resulted in a reduced interest income and impairment charge in the income statement of £219k.

The following table reconciles the Bank's closing 2017 IAS 39 impairment allowance to the opening IFRS 9 allowance as at 1 January 2018. The Bank's impairment loss provision increased by £3.63m (before tax) as a result of adopting IFRS 9.

£'000	Closing IAS 39 balance at 31 December 2017	ECL adjustment	Opening IFRS 9 balance at 1 January 2018
Specific allowances for impairment	1,789	5,425	7,214
Collective allowances for impairment	1,795	(1,795)	-
Total	3,584	3,630	7,214

Impairment provisions against customer loans and advances at 31 December 2017 under IAS 39 were made up as follows:

£'000	Individual provisions	Collective provisions	Total provisions
Balance as at 01 January 2017	1,016	1,492	2,508
Impairment loss for the year:			
Charge to income statement	2,005	303	2,308
Write-offs net of recoveries	(1,176)	-	(1,176)
Provisions released	(56)	-	(56)
Balance as at 31 December 2017	1,789	1,795	3,584

All of the Bank's customer loans and advances are UK based. The majority of loans and advances to customers (94%) of the Bank's lending are secured on property.

Lending by product and type %	2018	2017
Real estate lending		
Residential	40%	42%
Commercial	52%	50%
Other	2%	4%
Total Lending on Property	**94%**	**96%**
Asset finance	6%	4%
Total	**100%**	**100%**

The value of loans in default has increased over the past 12 months. The increase reflects a small number of customers and the strong growth in loan balances over the past few years.

8.4. Counterparty Credit Risk

The main exposure to counterparty credit risk is through its interest rate derivatives with the Royal Bank of Scotland. As per section 8.1 above on sovereigns and institutions, the selection of counterparties and the approval of limits is governed by the Bank's Counterparty Policy and involves consideration of background credit rating information as well as up to date credit reports and other market intelligence. ALCO reviews counterparty limits on a monthly basis and recommends changes to the Risk & Compliance Committee for approval. No exposure can be held with counterparties which do not have a pre-approved limit. The capital requirements are calculated based on the mark to market method for counterparty credit risk.

The Bank has interest rate derivatives with a nominal value of £5m at 31 December 2018 (2017: £30m). The net fair value of these swaps totalled -£94k at 31 December 2018 (2017: -£121k). The Bank's derivatives are interest rate swaps to hedge its exposure to changes in the fair value of a proportion of its fixed rate deposit balances. The effectiveness of the Bank's hedging is monitored on a monthly basis. Derivative financial instruments are recognised at fair value on the Bank's balance sheet. The exposure value is shown below:

Exposure £'000	2018	2017
Derivatives held for risk management purposes	(94)	(121)

The table below sets out the Bank's counterparty credit risk exposures by regulatory portfolio and risk weight. The exposure reflects the Bank's Potential Financial Exposure (PFE).

Counterparty Credit Risk exposures by regulatory portfolio and risk weights (template 28: EU CCR3)

Counterparty Credit Risk exposures by regulatory portfolio and risk weights (template 28: EU CCR3) 31 December 2018 £'000							
Exposure Class		Risk Weight				Total	Of which unrated
		0%	20%	50%	100%		
6	Institutions			25		25	-
11	Total			25	-	25	-

8.5. Market Risk Capital

The Bank does not have a trading book and is not exposed to commodity or foreign exchange risk positions and accordingly is does not have a requirement for market risk capital.

8.6. Operational Risk Capital

Operational risk is defined in section 4 of this report. The Bank identifies, assesses and monitors its operational risks via an agreed framework and methodology which is reviewed on a regular basis by the Risk & Compliance Committee. The Bank calculates its operational risk capital requirement using the Basic Indicator Approach as set out in the table below.

£'000	2016	2017	2018
Net interest income	26,682	38,431	44,425
Other income	1,997	528	310
Relevant indicator	28,679	38,959	44,735
3 year average			37,458
Basic indicator approach percentage			15%
Operational risk capital requirement			5,619

The Bank's operational risk capital requirement at 31 December 2018 was £5.62m (based on the average net income for 2016-2018).

9. Pillar 2

The Pillar 2 capital framework is designed to ensure that banks have adequate capital to cover the risks in their business, divided into two elements:

a) Pillar 2A – Risks which are not fully met under the Pillar I capital requirements such as concentration risk and interest rate risk in the banking book, and,
b) Pillar 2B – Risks to which banks may become exposed over a forward-looking planning horizon.

The above capital requirements are calculated as part of the Bank's ICAAP (internal capital adequacy assessment process). The ICAAP is assessed by the PRA, under the 'Supervisory Review and Evaluation Process (SREP) who set a TCR. The Bank's capital must exceed the TCR at all times.

9.1. Interest Rate Risk in the Banking Book (IRRBB)

The Bank defines interest rate risk in the banking book as the risk of loss arising from changes in interest rates associated with banking book items.

The key interest rate risk drivers that are assessed by the Bank are listed below:

- Repricing Risk. The risk of loss from movements in the overall direction of interest rates and relative movement in rates at different maturities on the yield curve;
- Basis Risk. The risk of loss as a result of the balance sheet being adversely affected by the movement in differing index rates.
- Prepayment and Optionality Risk. The risk that an asset or liability repays more quickly or slowly than originally anticipated resulting in a repricing mismatch.
- Swap spread Risk. The risk of loss as result of a dislocation in rates between liquid assets (within the Treasury portfolio) and swaps.

The Bank's assesses the IRRBB by calculating the Economic Value Impact of a 200bps shift in interest rates on a parallel basis. This value is calculated on a monthly basis and reported to ALCO. The Bank is implementing the scenarios set out in EBA guidance 'Guidelines on the Management of Interest Rate Risk arising from Non-Trading Book Activities' in 2019.

Interest-rate risk is mitigated as far as possible using natural hedges where these exist on the balance sheet, and derivative instruments where required and as appropriate. Natural hedges arise where matching tenor and rate bases occur during the ordinary course of business. Customer products that facilitate this include Fixed Rate Bonds on the liabilities side and Asset Finance lending on the assets side. They also include UK Gilts in the HQLA portfolio.

To assess the impact of rate changes and to ensure the Bank has sufficient funds to ensure that liabilities can be met as they fall due, the Bank's assets and liabilities are allocated to time bands by reference to the earlier of the next contractual interest rate change and the maturity date. The interest rate sensitivity exposure of the Bank at 31 December 2018 was:

31 December 2018 £'000	Within 3 months	More than 3 but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Assets							
Cash and balances at central banks	232,286						232,286
Loans and advances							
to banks	14,384						14,384
to customers	727,727	3,637	7,988	34,097	2,550	(6,983)	769,016
Debt securities				13,000		350	13,350
Other assets						3,052	3,052
Total assets	974,397	3,637	7,988	47,097	2,550	(3,581)	1,032,088
Off Balance Sheet Assets							
Derivatives					5,000		5,000
Liabilities							
Customers' accounts	(712,883)	(15,387)	(104,513)	(68,615)			(901,398)
Other liabilities						(5,510)	(5,510)
Total equity		(22,900)				(102,280)	(125,180)
Total liabilities	(712,883)	(38,287)	(104,513)	(68,615)		(107,790)	(1,032,088)
Off-balance sheet items: Notional value of derivatives	(5,000)						(5,000)
Interest rate sensitivity gap	256,514	(34,650)	(96,525)	(21,518)	7,550	(111,371)	0
Cumulative gap	256,514	221,864	125,339	103,821	111,371	0	0

The Bank considers a 200 basis points ("bps") movement to be appropriate for scenario testing given the current economic outlook and industry expectations and estimates that a +/-200bps movement in interest rates would have impacted the overall balance sheet values as follows:

Basis point scenario	2018 £000s	2017 £000s
+200bps	1,534	-33
-200 bps	(1,594)	53

9.2. Pillar 2B

In order to internally assess capital required under Pillar 2B, the Bank stress tests its business model, considering both internally identified risks and the major risk sources identified in the PRA rulebook. The Bank evaluated a macro-economic downturn scenario based on the PRA annual cyclical scenario (ACS), with the Bank of England base rate increasing to 4%, residential property prices decreasing by 33%, commercial property prices by 46%, unemployment increasing by 9.5% and GDP reducing by 5%.

A bank's Pillar 2B capital requirement consists of the capital conservation buffer, the Countercyclical buffer and, if set, a PRA Buffer which is based on the results of the Bank's stress testing.

Capital Conservation Buffer

Under CRDIV, a capital conservation buffer is required, which is designed to absorb losses during periods of economic stress. As at the 31st December 2018, the capital buffer required is 1.875% rising to 2.5% from 01 January 2019.

Countercyclical Buffer Disclosures

Financial institutions are required to hold additional capital to prevent the build-up of systemic risk during periods of high credit growth as a disincentive to growth and to create additional loss absorption capability. The Financial Policy Committee at the Bank of England sets the applicable rate for credit exposures in the UK, where 100% of the Banks exposures are located. The Bank of England have currently set a countercyclical buffer rate of 1% for exposures in the UK.

Row	Country	General Credit Exposures £000s	Trading Book Exposures £000s	Securitisation Exposures £000s	Own Funds £000s	Own Funds Requirement Weights %	Countercyclical Capital Buffer Rate %
10	UK	1,180,365	0	0	6,216	100.0%	1.0%

- The Bank uses the standardised approach for calculation of risk weighted assets
- The exposure includes derivative exposures which are held on the liability side of the balance sheet.
- The Own fund requirement for countercyclical buffer requirements relates to general credit exposures only as the Bank has no exposures in a trading book or to securitisations.

Row	2018 £000s	2018 £000s
010	Total risk exposure amount	621,368
020	Institution specific countercyclical buffer rate	1.0%
030	Institution specific countercyclical buffer requirement	6,213

10. Asset Encumbrance

The Bank can use its assets to support collateral requirements for central bank operations, third party repurchase transactions and its interest rate derivatives. Assets that have been set aside for such purposes are classified as 'encumbered assets' and cannot be used for other purposes. All other assets are defined as 'unencumbered assets'. The Bank reviews all its assets against the criteria of being able to finance them in a secured form (encumbrance) but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, homogeneity as well as predictable and measurable cash flows. The Bank considers all its high quality liquid assets and secured customer loans and advances available to be encumbered.

As at 31 December 2018 the Bank had no encumbered assets although it had pre-positioned assets with the Bank of England as part of its Funding for Lending Scheme (FLS) membership and Discount Window Facility (DWF), which may at a future date become encumbered. The Bank has not been required to post any collateral in respect of its interest rate derivatives.

The Bank is a participant in the FLS, which enables it to borrow highly liquid UK Treasury bills in exchange for eligible collateral. The Treasury bills are not recorded on the Bank's balance sheet as ownership remains with the Bank of England. As at 31 December 2018 the Bank had drawn £106m (2017: £60m) of Treasury bills under FLS. These Treasury bills are held off balance sheet and as at 31 December 2018, they had not been monetised. The Bank has pre-positioned, with the Bank of England, loan assets totalling £195m as collateral for its FLS and DWF facilities.

The following tables show the appropriate disclosures in respect of the Bank's encumbered and unencumbered assets during 2018. The tables show the median balance sheet values for the past 12 months basis as prescribed in the regulatory requirements.

Template A - Overview of encumbered and unencumbered assets

The values in this report are based on medians of the quarter end exposures. During the year, the Bank did not have any encumbered assets, although it has pre-positioned collateral under the Funding for Lending Scheme.

Template A 2018 Rolling 12 month median £'000		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	-	-			934,650	166,251		
030	Equity instruments	-	-			-	-		
040	Debt securities	-	-	-	-	3,070	3,070	3,070	3,070
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-	-	3,070	3,070	3,070	3,070
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	-	-			931,580	163,1810		
121	of which: Central bank Reserve Account	-	-			163,181	163,181		
122	of which: Deposits at other Banks	-	-			19,871	-		
123	of which: Loans and advances to Customers	-	-			748,528	-		

Template B – Collateral Received

The Bank meets the criteria set by the PRA to waive the requirement to report Table B- Characteristics of received collateral. The Bank's Table B return would in any case have been a nil return in 2017 as CCB did not have any encumbered assets during the period.

2018 Rolling 12 month median £'000	Fair value of encumbered collateral received or own debt securities issued	Fair value of non-encumbered collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	-

Template C – Source of Encumbrance - Encumbered assets/collateral received and associated liabilities

2018 Rolling 12 month median £'000	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received, and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	-	-

10. Liquidity

The Banks's management of liquidity and funding risks aims to ensure that at all times there are sufficient liquid assets, covering both amount and quality, to cover cash flow mismatches and funding fluctuations, to retain public confidence and to meet financial obligations as they fall due, even during episodes of stress.

This is achieved through management and stress testing of business cash flows, setting appropriate risk limits to maintain a prudent funding mix and maturity profile, and maintaining sufficient levels of high quality liquid assets and appropriate encumbrance levels. The risk appetite set by the Board is translated into a set of liquidity risk limits and also defines the size and mix of the liquid assets.

The management of liquidity and funding is undertaken through a comprehensive risk framework which includes its policy, strategy, limit setting and monitoring, stress testing and robust governance controls. Further details can be found in the Bank's statutory accounts for the year ending 31 December 2018. CCB comfortably exceeds the regulatory minimum for the LCR ratio.

LCR Ratio		
LCR regulatory minimum	31/12/2018	31/12/2017
100%	331%	207%

The Bank's HQLAs, managed by its Asset & Liability Management (ALM) function, predominately comprise reserves held at the Bank of England (2018: £232.3m, 2017: £164.3m), off-balance sheet T-bills drawn through the Bank of England's Funding for Lending Scheme totalling £106m (2017: £60m) and UK gilts (2018: £13m, 2017: £3.1m).

The Bank has maintained relatively high levels of liquidity during the second half of 2018, in order to fund future lending growth and manage any uncertainty surrounding market sentiment relating to Brexit in the first half of 2019. During the final quarter of 2018, the Bank exited the Pension Administrator sector of the market which resulted in a planned outflow of c£50m of deposit balances.

There is limited exposure to on-balance sheet exposure to derivatives (£25k) (interest rate swaps which are used for risk management purposes to hedge fixed rate savings products) and CCB does not have a trading book, so there is no exposure to market risk.

The Bank has nil exposure to foreign currency risk at the 31 December 2018 and does not offer any foreign currency denominated accounts.

The Bank's liquidity cover ratio (LCR) calculation for Q4 2018 is summarised below:

Quarter ending: £m		Q4 2018
21	Liquidity Buffer - HQLA	334.6
22	Total Net Cash Outflows	105.8
23	Liquidity Coverage Ratio (%)	321.1%

11. Additional Disclosures

Template 1: EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

31 December 2018 £'000	A	B	C	D	G
	Carrying values of items				
	As reported in published financial accounts	Under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the counterparty credit risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central banks	232,286	232,286	232,286	-	-
Loans and advances to banks	14,384	14,384	14,384	-	-
Debt securities	13,350	13,350	13,350	-	-
Loans and advances to customers*	769,016	769,016	769,016	-	-
Other assets and prepayments	940	940	940	-	-
Property, plant and equipment	386	386	386	-	-
Intangible assets	846	846	-	-	846
Deferred taxation	880	880	880	-	-
Total assets*	1,032,088	1,032,088	771,541	260,020	846
Customers' accounts	901,398	901,398	-	-	901,398
Derivative financial liabilities	94	94	-	94	
Other liabilities and accruals	5416	5416	-	-	5,416
Total liabilities	906,908	906,908	-	94	906,814

*Net of specific provisions
Column e (carrying value of items subject to the securitisation framework) and column f (carrying value of items subject to the market risk framework) are omitted as there are no exposures in these categories.

Template 1: EU LI2 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

31 December 2018 £'000		A	Items subject to	
		Total	B Items subject to credit risk framework	C Items subject to counterparty risk framework
1	Assets carrying value amount under the scope of regulatory consolidation*	1,031,242	1,031,242	-
2	Liabilities carrying value amount under the regulatory scope of consolidation	(770)	(770)	-
3	Total net amount under the regulatory scope of consolidation	1,030,472	1,030,472	-
4	Off balance sheet amounts	149,868	149,868	-
9	PFE - derivatives	25	-	25
10	**Exposure amount considered for regulatory purposes**	1,180,365	1,180,340	25

The Bank has no assets subject to Market risk or securitisation frameworks
*Gross of collective provisions and excluding intangible assets

The following processes and interpretations have been followed to calculate the above carrying values:

Category	Process and interpretations
Cash and balances at central banks	These represent amounts with an initial maturity of less than 3 months and are held at amortised cost in the Bank's balance sheet
Loans and advances to banks	These represent amounts with a maturity of less than 3 months, and are held at amortised cost in the Bank's balance sheet
Loans and advances to customers	The majority of the Bank's lending is via products with a variable interest rate, which it considers equivalent to a current market product rate. Loans are initially measured at fair value plus direct transaction costs, and subsequently at their amortised cost using the effective interest rate method.
Debt securities	Where securities are actively traded in a recognised market, with available and quoted prices, these have been used to value these instruments.
Customers' accounts	The majority of customer deposits balances are held at amortised cost on the Bank's balance sheet. £5m of fixed rate deposits are held at fair value as these are hedged using intertest rate derivatives.
Derivatives	The fair values of derivative assets and liabilities are calculated based on the present value of future interest cash flows, discounted at the market rate of interest at the balance sheet date.

Template 7: EU CRB-B

This table shows the total and average net value of the exposures by exposure class for both on and off-balance sheet exposures.

Total and average net amount of exposures (template 7 EU CRB-B) 31 December 2018 £'000		A Net value of exposures at the end of the period	B Average net exposures over The period
16	Central governments or central banks	351,636	265,209
21	Institutions	14,409	22,476
22	Corporates	92,131	88,678
23	Of which: SMEs	81,656	84,444
26	Secured by mortgages on immovable property	693,699	694,744
27	Of which: SMEs	693,699	694,744
28	Exposures in default	9,132	5,822
29	Items associated with particularly high risk	17,152	21,579
34	Other Exposures	2,206	1,536
35	**Total standardised approach**	1,180,365	1,100,044
36	**Total**	1,180,365	1,100,044

The above table includes off-balance sheet exposures in respect of the Bank's lending commitments which give rise to a credit risk exposure and takes into account the collateral. The value of the PFE on the Bank's derivative portfolio which is held on the liability side of the balance sheet is also included.

All of the above exposures are in the UK and therefore template 8 (EU CRB-C geographical exposures) is not shown separately.

12. Additional Credit Risk Disclosures

EU CRB-C - Geographical Breakdown of Exposures

This template is not disclosed as all exposure are in the UK.

EU CRB-D – Concentration of exposures by industry or counterparty type

The following table splits the Bank's loans and advances to customer by industry sector. This table includes both on and off-balance sheet exposures net of provisions and is before application of collateral.

Concentration of exposures by industry or counterparty type (template 9 EU CRB-D) 31 December 2018 £'000		A	B	C	D	E	F	G	H	I	J	L	M	N	O	P	Q	R	S	U
		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
13	Corporates	546	271	2,941	41	11,408	5,419	1,918	3,985	1,091	47	32,882	2,724	20,893	-	14	392	1,471	6,658	92,698
15	Secured by mortgages on immovable property	12,600	3,222	4,243	-	-	1,619	3,842	938	23,468	666	630,321	6,804	518	-	164	2,091	-	3,057	693,853
16	Exposures in default	-	-	-	-	-	-	106	-	-	-	8,614	-	264	-	-	-	-	147	9,131
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	17,202	-	-	-	-	-	-	-	17,202
23	Total standardised approach	13,146	3,493	7,182	41	11,408	7,038	5,866	4,923	24,599	713	689,319	9,528	21,675	-	178	2,483	1,471	9,862	812,884
24	Total	13,146	3493	7,182	41	11,408	7,038	5,866	4,923	24,599	713	689,319	9,528	21,675	0	178	2,483	1471	9,862	812,884

EU CRB-E – Maturity of exposures

The following table shows the maturity of the Bank's assets. There has been no significant change over the past 12 months.

Maturity of exposures (template 10 EU CRB-E) 31 December 2018 £'000		A	B	C	D	E	F
		Net exposure value					
		On demand	<=1 year	>1 year <= 5 years	>5 years	No stated maturity	Total
7	Central governments or central banks	232,286		13,350			245,636
12	Institutions	14,384					14,384
13	Corporates		1,388	42,704	37,582		81,674
15	Secured by mortgages on immovable property		63,912	116,894	479,798		660,604
16	Exposures in default	9,132					9,132
17	Items associated with particularly high risk		16,854				16,854
22	Other exposures	510	816		880		2,206
23	Total standardised approach	256,312	82,970	172,948	518,260		1,030,490

Loan impairments, provisions and credit mitigation

The Bank has recorded strong growth in its lending balances since it started trading in 2012. Loans and advances to customers increased by 11% in 2018. Credit risk adjustments increased to £8.1m at 31 December 2018 including the impact of adopting IFRS 9 accounting standard from 01 January 2018.

The following tables show further analysis on the split of the Bank's lending and the breakdown of loans in arrears and default and the balance of provisions.

Template 11 - EU CR1A – Credit quality of exposures by exposure class and instrument

Credit quality of exposures by exposure calcs and instrument types (template 11 EU CR1) 31 December 2018 £'000		A	B	C	D	E	F	G
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumu-lated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
20	Central governments or central banks		351,636	-				351,636
21	Institutions		14,409	-		(3)		14,409
22	Corporates	-	94,583	1,886		126	(1,406)	92,697
23	Of which: SMEs	-	84,052	1,830		126	376	82.222
26	Secured by mortgages on immovable property	-	696,129	2,276		910	623	693,854
27	Of which: SMEs	-	696,129	2,275		910	623	693,854
28	Exposures in default	12,706	-	3,575		-	1,352	9,131
29	Items associated with particularly high risk	-	17,534	332			285	17,202
34	Other exposures	-	2,206	-		-		2.206
35	Total standardised approach	12,706	1,176,497	8,068	-	1,033	854	1,181,135
36	Total	12,706	1,176,497	8,068	-	1,033	854	1,181,135

- This table includes off balance sheet exposures.
- The effect of collateral is not netted off exposures in this table.

Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types

Credit quality of exposures by industry or counterparty type (template 12 EU CR1-B) 31 December 2018 £'000		A	B	C	D	E	F	G
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Agriculture, forestry and fishing	-	13,179	33	-	-	17	13,146
2	Mining and quarrying	-	3,497	4	-	-	4	3,493
3	Manufacturing	-	7,202	21	-	-	(78)	7,181
4	Electricity, gas, steam and air conditioning supply	-	41	-	-	-	-	41
5	Water supply	-	11,434	26	-	-	(5)	11,408
6	Construction	-	7,055	17	-	-	(15)	7,038
7	Wholesale and retail trade	130	5,812	77	-	-	39	5,865
8	Transport and storage	-	4,940	18	-		2	4,922
9	Accommodation and food service activities	-	24,629	69	-	126	(126)	24,560
10	Information and communication	-	714	13	-	-	-	711
11	Real estate activities	12,152	684,841	7,670	-	910	1,000	689,325
12	Professional, scientific and technical activities	-	9,558	31	-	-	(11)	9,527
13	Administrative and support service activities	277	21,458	60	-	-	6	21,675
14	Public administration and defence compulsory social security	-	-	-	-	-	-	-
15	Education	-	178	-	-	-	(1)	178
16	Human health services and social work activities	-	2,500	17	-	-	11	2,483
17	Arts, entertainment and recreation	-	1,474	3	-	-	3	1,471
18	Other services	147	9,734	19	-	-	8	9,862
19	Total	12,706	808,246	8,068	-	1,036	854	812,884

Template 13: EU CR1-C – Credit Quality of Exposures by geography

Credit Quality of Exposures by geography (template 13 EU CR1-C) 31 December 2018 £'000		A	B	C	D	E	F	G
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+b-c-d)
		Defaulted exposures	Non-defaulted exposures					
1	UK/Total	12,706	1.176,240	8,068	-	-	-	1,181,135

All exposures are based in the UK.

Template 14: EU CR1-D – Ageing of past-due exposures

Ageing of past-due exposures (template 14 EU CR1-D) 31 December 2018 £'000		A	B	C	D	E	F	
		Gross carrying values						
		< 30 days	> 30 days < 60 days	> 60 days < 90 days	> 90 days < 180 days	>180 days < 1 year	> 1 year	Total
1	Loans	1,290	600	1668	4,413	3,089	1,570	12,706
2	Debt Securities	-	-	-	-	-	-	
3	Total exposures	1,290	600	1,668	4,413	3,089	1,570	12,706

Template 15: EU CR1-E – Non-performing and forborne exposures

Non-performing and forborne exposures (template 15 EU CR1-E) 31 December 2018 £'000		A	B	C	D	E	F	G	H	I	J	K	L	M
		Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and < = 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
010	Debt securities	13,350	-	-	-	-	-	-	-	-	-	-	-	-
020	Loans and advances	777,084	37,709	5,295	12,706	12,706	12,706		4,497	190	3,571			
030	Off-balance-sheet exposure	43,868	-	-	-	-	-	-	-	-	-	-	-	-

Accumulated provision reflects the specific provisions.

Template 16: EU CR2-A – Changes in the stock of general and specific credit risk adjustments

Changes in stock of general and specific credit risk adjustments (template 16 EU CR2A) 31 December 2018 £'000		A	B
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening Balance**	7,214	-
2	Increases due to amounts set aside for estimated loan losses during the period	2,675	-
3	Decreases due to amounts reversed for estimated loan losses during the period	(788)	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	(1,036)	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	3	-
9	**Closing balance**	8,068	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	3	-

Template 17 EU CR2 B - Changes in stock of defaulted loans and debt securities

Changes in stock of defaulted loans and debt securities (template 17 EU CR2 B) 31 December 2018 £'000		Gross carrying value defaulted exposures
1	**Opening balance Defaulted loans and debt securities at 1 January 2018 under IFRS 9**	5,906
2	Loans and debt securities that have defaulted since 31 December 2017	9289
3	Returned to non-defaulted status	(279)
4	Amounts written off	(1,033)
5	Other charges	(1.177)
6	**Closing balance Defaulted loans and debt securities at 31 December 2018**	**12,706**

Changes in stock of defaulted loans and debt securities (template 17 EU CR2 B) 31 December 2017 £'000		Gross carrying value defaulted exposures
1	**Opening balance Defaulted loans and debt securities at 1 January 2017 under IFRS 9**	7,587
2	Loans and debt securities that have defaulted since 31 December 2017	3,241
3	Returned to non-defaulted status	(734)
4	Amounts written off	(1,176)
5	Other charges	(3.012)
6	**Closing balance Defaulted loans and debt securities at 31 December 2017**	5,906

Other charges include changes in balances for accounts that have remained in default throughout the year, as well as the closing balances for accounts that have redeemed (either through forced or voluntary sales).

The growth in new entrants in 2018 is due portfolio growing as well as the increasing maturity in the book. The Bank manages cases in default to minimise losses.

Credit Risk Mitigation

This table shows the effect of credit risk mitigation. The Bank also uses collateral deposits from SME customers in a small number of cases. These cash deposit totalled £0.8m at 31 December 2018 (2017: £0.8m). With the exception of these deposits, no other credit risk mitigations are applied to the Bank's total on balance sheet exposures.

Template 18: EU CR3 – CRM techniques - Overview

This table shows the use of Credit Risk Mitigation (CRM) techniques, broken down by loans and debt securities. The Bank does not use credit derivatives.

Credit risk mitigation techniques overview (template 18 EU CR3) 31 December 2018 £'000		A	B	C	D	E
		Exposures unsecured: carrying amount	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total Loans*	248,876	769,033	769,033	-	-
2	Total Debt Securities	13,350	-	-	-	-
3	**Total exposure**	262,226	769,033	769,033	-	-
4	Of which defaulted	-	9,132	9,132	-	-

The above table is before application of financial collateral of £0.77m

'* Total loans includes other assets, such as prepayments and other debtors.

Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects

Credit risk exposure and credit risk mitigation (CRM) effects (template EU 19 CR4) 31 December 2018 £'000		A	B	C	D	E	F
	Exposure Classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
		On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA	RWA density
1	Central governments or central banks	245,636	106,000	245,636	0	0	0%
6	Institutions	14,384	25	14,384	25	2,889	20%
7	Corporates	84,118	10,465	81,674	512	71,396	87%
9	Secured by mortgages on immovable property	663,024	33,105	660,604	6,619	439,264	66%
10	Exposures in default	12,706	-	9,132	-	9,182	101%
11	Exposures associated with a particularly high risk	17,236	298	16,854	60	25,370	150%
16	Other items*	2,206	-	2,206	-	3,016	137%
17	**Total**	1,039,310	149,893	1,030,490	7,216	551,117	53%

*Other assets include fixed assets.

This table includes both on and off-balance sheet exposures. Exposures are gross of impairment. The RWA calculation includes the effect of credit conversion factors.

13. Counterparty Risk

The following tables refer to the Bank's derivative holdings and in particular the Bank's Potential Financial Exposure. PFE is a measure of counterparty risk/credit risk. It is calculated by evaluating existing trades against possible future market prices during the lifetime of the transaction.

Template 25: EU CCR1 - Analysis of Counterparty Credit Risk (CCR) exposure by approach

Analysis of Counterparty Credit Risk (CCR) exposure by approach (template 25 EU CCR1) 31 December 2018 £'000		A	B	C	D	E	F	G
		Notional	Replacement cost/ current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market			25			25	13
2	Original exposure							
3	Standardised approach							
4	IMM (for derivatives and SFTs)							
5	*Of which securities financing transactions*							
6	*Of which derivatives and long settlement transactions*							
7	*Of which from contractual cross-product netting*							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	**Total**							13

Template 26: EU CCR2 – CVA capital charge

Credit Valuation Adjustment (CVA) Charge (template 26 EU CCR2) 31 December 2018 £'000		A	B
		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including 3*multiplier)		
3	(ii) SVaR component (including the 3* multiplier)		
4	All portfolios subject to the Standardised method	25	2
EU4	Based on original exposure method		
5	**Total subject to the CVA capital charge**	25	2

The Bank's Credit Valuation Adjustment capital charge has not changed significantly over the past twelve months.

Template 27: EU CCR8 – Exposure to Central Counterparties (CCPs)

The Bank has no exposure to counterparty credit risk with central counterparties as defined in template 27 EU CCR8 (exposures due to operations, margins, contributions to default funds).

Template 28: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

Please see section 8.4 for this table,

Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values

	Impact of netting and collateral held on exposure values (template 31: EU CCR5 A) 31 December 2018 £'000					
		A	B	C	D	E
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	25	-	25	-	25
4	Total	25	-	25	-	25

Template 32: EU CCR5- B – Composition of Collateral for exposures to Counterparty Credit Risk

The Bank only has derivatives in this category but has not received or place collateral on these exposures.

Composition of collateral for exposure to CRR (template 32: EU CCR5 B) 31 December 2018 £'000						
	A	B	C	D	E	F
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Total	-	-	-	-	-	-