Cambridge & Counties Bank Limited

Capital Requirements Directive

Pillar 3 Disclosures

31 December 2020

Cambridge & Counties Bank
Growing business together

1 Contents

2 Executive Summary

2.1 Introduction

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

Established in June 2012, CCB has a unique ownership structure being owned jointly by Trinity Hall, a college of the University of Cambridge, and Cambridgeshire County Council as Administering Authority of 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.

2.1.1 Target Markets

The Bank plans to continue to grow and bring its products and services to a wider geographical footprint and expand its lending activities into new asset classes where the existing capacity and capability of the Bank can be brought to bear, realising niche opportunities in markets that offer earnings at a level accretive to those achieved in the core businesses.

2.1.2 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 Deposit Intermediaries. Business customers include a number of broader organisations such as charities, clubs, societies and associations.

2.1.3 Distribution Network

CCB provides lending products through a network of Relationship Managers who deal via business introducers as well as directly with customers. The Bank delivers a range of savings accounts via the internet, post and Savings Intermediaries.

2.2 Financial performance

For the year ended 31 December 2020, the Bank had operating income of £38.1m (2019 £42.9m) and reported profit before tax of £11.2m (2019 £22.5m). Total Equity at 31 December 2020 was £150m (2019 £142m). The Bank employed an average of 165 FTE employees (2019 149) during the year. 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/).

2.3 Purpose

The Pillar 3 disclosures on capital and risk management at 31 December 2020, have two principal purposes:

- To provide information on the policies and approach taken by CCB 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.

3 Introduction

3.1 Legislative Framework

CCB is subject to the Fourth Capital Requirements Directive (CRD) and Capital Requirements Regulations (CRR) implemented on 01 January 2014. The CRR and CRD, collectively known as CRD IV, provide legal framework governing the access to the activity, the supervisory framework and prudential requirements for credit institutions and investment firms. CRD IV is enforced in the UK by the Prudential Regulation Authority (PRA). The legislation sets out the rules that

- improve the quality of bank regulatory capital by increasing the minimum level of Common Equity Tier 1 (going concern loss absorbing capital),
- set the level of capital requirements to ensure that banks are sufficiently resilient to withstand losses in times of stress,
- enhance risk capture by revising areas of the risk-weighted capital framework that proved to be acutely mis-calibrated,
- added macroprudential elements to the regulatory framework, by
    - introducing capital buffers
    - established a large exposures regime to mitigate systemic risks arising from interlinkages across financial institutions and concentrated exposures; and
    - specifies a minimum leverage ratio requirement to constrain excess leverage in the banking system
- introduces a liquidity risk and maturity transformation framework, through the Liquidity Coverage Ratio (LCR - See Section 11) and Net Stable Funding Ratio (NSFR).

The CRD IV framework is supported by three pillars:

Pillar 1

The first pillar focuses on the determination of minimum capital requirements to support exposures to credit risk, counterparty credit risk, credit valuation adjustment risk and operational risk. (See Section 7.1)

Pillar 2

Pillar 2 addresses risks not covered in the Pillar 1 framework. 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 2019, the Bank of International Settlements (BIS) published the DIS Standard (disclosure requirements). This Standard consolidates The Basel Committee on Banking Supervision (BCBS) Pillar 3 updates published in January 2015, March 2017 and December 2018 and completes the Basel 3 reforms for Pillar 3 framework. These Basel Standards have been subject to a phased implementation in the EU/UK. The disclosure standards in force now have been implemented via Part Eight of the CRR and are supported by Technical Standards and Guidelines issued by the

European Banking Authority (EBA) (retained as UK requirements post Brexit). CCB has incorporated these EBA Guidelines on disclosure published in December 2016 (amended June 2017)
The remaining Basel disclosure standards will be introduced via the UK CRR2 which becomes effective from January 2022. It is highly likely the Bank will implement additional disclosure updates related to Basel 3.1. These disclosure updates will not be effective before January 2023.

The PRA has not made line-by-line changes to reporting or disclosure requirements, or regulatory transactions forms, as a result of the UK's withdrawal from the EU and the end of the transition period. Instead, the PRA expects firms to interpret EU references in those templates and instructions in accordance with the December 2020 Supervisory Statement (SS2/19 PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal).

The table below sets out where each table is presented.

EBA Template	Description	Location in document
-	Own Funds	Section 7.2
-	Leverage ratio	Section 7.3
	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Section 7.3.1
	LRCom: Leverage ratio common disclosure	Section 7.3.1
	LRSpl: Split-up of on balance sheet exposures	Section 7.3.1
	IFRS 9 Transition Template	Section 7.4
4	EU OV1 – Overview of RWAs	Section 8.1.1
	Interest Rate Risk in the Banking Book (IRRBB)	Section 8.4
	Countercyclical Capital Buffer – credit exposures requirement	Section 8.6.2
	Bank's exposure to credit risk (gross)	Section 9
	Credit risk exposure and capital requirement	Section 9.1
	Credit risk exposure by type	Section 9.2
	Credit risk exposure – on and off-balance sheet reconciliation	Section 9.3
20	Exposure by asset classes and risk weights (template 20: EU CR5)	Section 9.3.1
	Credit Risk on Sovereign and Institutions	Section 9.4
	Credit Risk on Loans and Advances	Section 9.5
	Geographical Breakdown of Secured Lending	Section 9.6
	Credit Quality – Past Due	Section 9.7
	Payment due status of loans and advances	Section 9.7
	Impairment provisions against loans and advances	Section 9.7
	Lending by product and type %	Section 9.7
	Counterparty Credit Risk - Derivatives	Section 9.8
28	Counterparty Credit Risk exposures by regulatory portfolio and risk weights (template 28: EU CCR3)	Section 9.9
	Operational Risk	Section 9.12
	Template A - Overview of encumbered and unencumbered assets	Section 10.1.1
	Template B – Collateral received	Section 10.1.2
	Template C - Source of Encumbrance - Encumbered assets/collateral received and associated liabilities	Section 10.1.3
	Liquidity Coverage Ratio	Section 11
1	EU LI – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Section 12.1.1
2	EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Section 12.1.2
3	EU LI3 – Outline of the differences in the scope of consolidation	CCB is a solo entity – Template is not applicable
5	EU CR10 – IRB	CCB uses the standardised approach – Template 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 12.1.3
8	EU CRB-C – Geographical breakdown of exposures	Section 12.2.1

9	EU CRB-D – Concentration of exposures by industry or counterparty types	Section 12.2.2
10	EU CRB-E - Maturity of exposures	Section 12.3.1
11	EU CR1-A – Credit quality of exposures by exposure class and instrument	Section 12.3.2
12	EU CR1-B – Credit quality of exposure by industry or counterparty types	Section 12.3.3
13	EU CR1-C- Credit Quality of exposures by geography	Section 12.3.4
14	EU CR1-D- Ageing of past-due exposures	Section 12.4.1
15	EU CR1-E – Non-performing and forborne exposures	Section 12.4.2
16	EU CR2-A- Changes in the stock of specific credit risk	Section 12.4.3
17	EU CR2-B- Changes in the stock of defaulted and impaired loans and debt securities	Section 12.4.4
18	EU CR3-CRM techniques – Overview	Section 12.5.1
19	EU CR4 – Standardised approach – Credit risk exposure and CRM effects	Section 12.5.2
21-24	IRB approach	CCB uses the standardised approach – Template not applicable
25	EU CCR1 – Analysis of CCR exposure by approach	Section 12.6.1
26	EU CCR2 - CVA capital charge	Section 12.6.2
27	EU CCR8 - Exposures to CCPs	Section 12.6.3
29-30	IRB / IMM templates	CCB does not use IRB/IMM approach – Template not applicable
31	EU CCR-5A – Impact of netting and collateral held on exposure values	Section 12.6.5
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

3.2 Scope of Application

All the figures, governance, objectives and policies included within this document are as at 31 December 2020 (unless stated otherwise) and have been prepared to meet the disclosure requirements of CRD IV.

The Pillar 3 report disclosures are issued on an annual basis and are based upon the Bank's annual report and financial statements for the year ended 31 December 2020.

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 2020 financial statements. The processes for preparing this disclosure are laid out in the Bank's Pillar 3 Disclosures policy.

CCB is not part of a group of companies and does not have any subsidiaries. This report therefore relates to just CCB. 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.

3.3 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 monthly. Management also receive daily metrics. The Bank takes appropriate actions if triggers are breached.

3.4 Publication

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

3.5 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 reviewed and approved the disclosures in May 2021.

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4 Governance and Committees

4.1 How the business is managed

Design and operation of a robust corporate governance framework is critical to meeting the needs of all the Bank's stakeholders. The Bank has a well-established corporate governance structure, and the Board supports the principles of good corporate governance as set out in the UK Corporate Governance Code. Whilst the Bank is exempt from a number of the provisions due to it not being a listed entity, and its overall size in terms of employee numbers, it has reviewed the requirements and will ensure that its governance processes continue to follow best practice. The Board believe that its existing governance processes are appropriate for the current size and structure of the Bank.

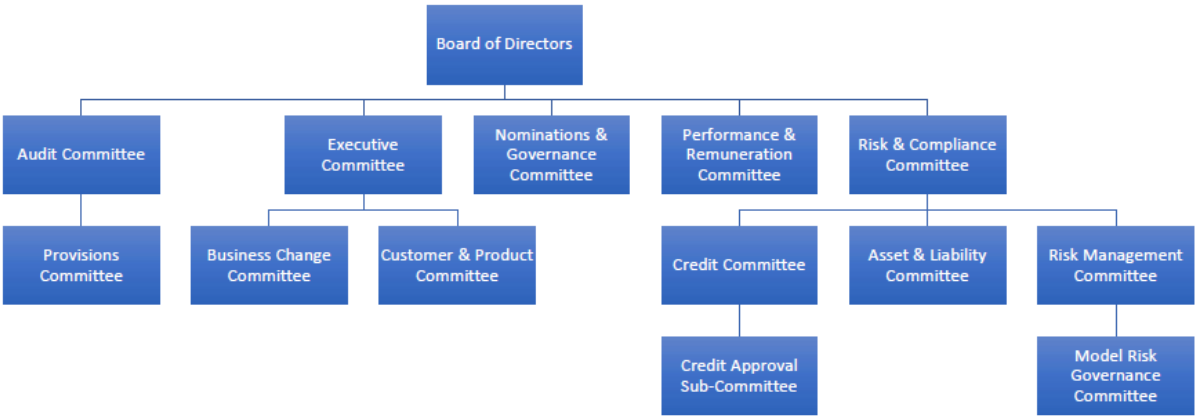
4.2 Structure of the Board and Board Committees

The Board has overall responsibility for the operations of the Bank and is comprised of four independent non-executive directors and two non-executive directors representing the interests of the owners, one of whom acts as vice-chair. The non-executives are currently complemented by four executive director (ED) board members – the Chief Executive Officer, the Chief Financial Officer, Chief Risk Officer and Chief Development Officer. 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/) 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.

The Board has its own terms of reference and has specific committees appointed by it for the purposes of Nominations & Governance, Audit, Risk & Compliance, Performance & Remuneration, and Executive Management. Each committee has its own terms of reference. To ensure independence, and reduce the potential for conflict of interest, the sub-committees (excluding the Executive Committee) are each comprised entirely of non-executive directors (NEDs), although individual EDs and others attend either as a matter of course or when requested to provide advice and guidance. A NED chairs each of the Board Committees except the Executive Committee which is chaired by the CEO.

During the first quarter of 2020, the Bank conducted its annual review of the composition of the membership of its Board and the Board committees. This resulted in the reduction of the number of NEDs attending the Audit and Risk & Compliance Committees, building upon changes undertaken in 2019 to allow for greater focus to be given by the NEDs to the responsibilities allotted to each Board committee. The Bank also elected during the year to appoint Ian Smith as the Senior Independent Director, enhancing the Bank's independent oversight. This also prompted the change of the Bank's director nominated as the Whistleblowing Champion for disclosures to Ian Smith.

There were a number of changes in Executive Directors during 2020 driven by the Bank's succession planning and retirement of Mike Kirsopp, the Chief Executive Officer, in December 2020. The Bank appointed Donald Kerr, to succeed Mike Kirsopp as the Chief Executive Officer and he formally joined the Board on 26 November 2020. The Bank appointed Mike Hudson as its Chief Risk Officer from 2 January 2020 and, whilst he attended every Board meeting during the year, Mike formally joined the Board on 2 September 2020. Last year, the Bank appointed Nick Treble as a NED and Chair of the Risk & Compliance Committee and he formally joined the board on 17 January 2020. Finally, Rachel Curtis-Bowen resigned from her position at the Bank on 30 June 2020.



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/).

Risk management is governed within the corporate governance structure, with ultimate ownership at Board level via the Risk & Compliance Committee. In addition, the Board Audit Committee facilitates third line review of all aspects of risk management and the Nominations & Governance and Performance & Remuneration Committees have a role in the management of conduct risk, including risk culture.

The table below outlines the Bank's executive committees and sub-committees, their 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.

Committee	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 are 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	Nick Treble; 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	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.

Committee	Chair	Purpose / Responsibilities relating to Risk Management
		• 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.
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 Change Committee 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.
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.
Risk Management	Chief Risk Officer (CRO)	• To oversee and monitor the risks (other than Liquidity, Capital, ALM or Credit risks) facing the Bank on a day-to-day basis • Specific responsibilities include operational risk, financial crime, conduct risk, operational resilience, legal risk and regulation. • Its key role is to provide the oversight, challenge, support and advice necessary to embed and maintain a robust risk management culture across the Bank. • To ensure that the Bank maintains an appropriate risk management culture and an effective Risk Management Framework • To review the findings of Risk & Compliance reviews and monitoring the remediation of outstanding action items • Oversight of the remediation of Internal Audit findings
Credit	Chief Lending Officer	• 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.
Customer & Product	Chief Development 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 Change	Head of Business Change	• To manage the effective delivery of the business change agenda Including the people side of change. • To prioritise the CCB Change Programme to align with business priorities and ensuring delivery to agreed timescales, scope, budget and available resources. • To assess all new business investment cases and change requests, ensuring that they are aligned with strategic business objectives and tactical priorities. • To ensure benefits realisation as a result of change investments. • Assessment, approval or recommendation of significant changes to inflight Projects. • Management of the overall risks of the CCB Change programme within acceptable appetite, including people risks of change.
Provisions	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.

5 Risk Management Objectives and Policies

5.1 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

5.2 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.

During 2020, the Bank continued to invest in its Risk & Compliance capabilities, embedding its credit risk management, investing in its next generation credit grade modelling, arrears and collections expertise, enabling the teams to provide personal support for customers seeking payment holidays and forbearance. To support the forbearance management exercise necessitated by COVID-19, rapid developments were delivered in our core banking systems to automate and manage forbearance cases and a new management system was developed.

The Bank has continued its commitment to invest in its IT and infrastructure. The increasing risk of cyber threats is ever present, and the Bank has enhanced its security posture, maintaining its CE Plus accreditation and continued alignment with the NIST framework.

Risk management within the Bank is ultimately owned by the Board of Directors although, on a day to day basis, is delegated to the Chief Risk Officer and the wider Executive Management team. The philosophy of the Bank is that all members of staff have a responsibility for risk, supported by a dedicated Risk Function. A three lines of defence model is used to support Risk Management along with a range of Board and Management governance committees, including the Board, Risk & Compliance Committee, Risk Management Committee, Credit Committee and the Asset & Liability Committee (see the diagram in the Corporate Governance Section 4 for details).

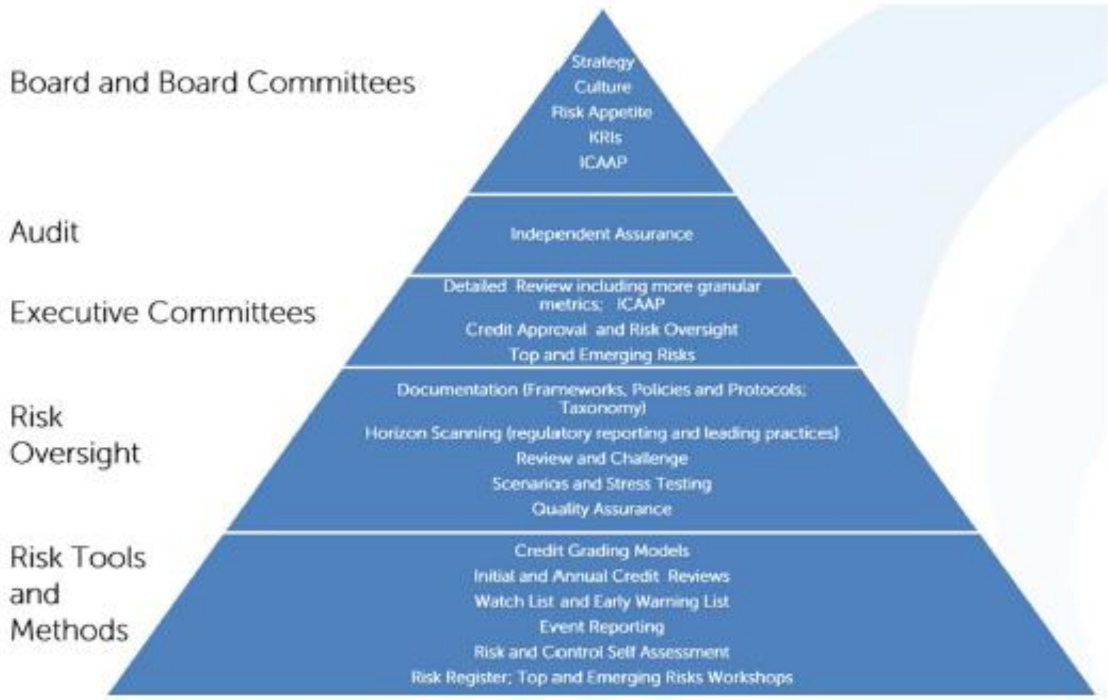
The Bank operates a robust Risk Management Framework, via which the risks to which it is exposed are identified, monitored and mitigated effectively. In addition to ongoing review embedded across the lines of defence (see below), this includes an annual review of the Bank's Strategy from a risk perspective and annual refresh of its Risk Appetite and Top and Emerging Risks.

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.

The key elements of the Risk Management Framework are summarised below, including ensuring that the Bank sets aside a sufficient amount of capital to cover the identified risks via input to, and review of, the Bank's ICAAP and ensuring that accurate reporting is provided on an ongoing basis to reflect the Bank's risk profile and enable the Board to require management action to be taken should deterioration and/or non-compliance with appetite be detected, including consideration of the impact on capital requirements via the ICAAP process.

5.3 Approach to risk, enterprise risk management framework and accountability

The Enterprise Risk Management Framework is the structure which underpins the Bank's robust approach to risk management, founded on the effective identification, control and management of risk, and strong risk management culture. It sets out the key principles, key tools, governance structure and roles and responsibilities in relation to risk management, across all risk categories.



The Enterprise Risk Management Framework describes the risks the Bank is willing to take in pursuit of, and the risks inherent within, its strategy, its governance of risk management and the methodologies used to measure and monitor these within its 'Risk Management Cycle':

A Risk Register is maintained to manage and monitor the full list of risks the Bank is exposed to. The Register is regularly refreshed as part of the Risk and Control Self-Assessment programme, to ensure that it provides an up-to-date record of the Bank's overall risk profile. A forward-looking approach is ensured using quarterly stress testing and scenario analysis, feeding into the annual Internal Capital and Liquidity Adequacy Assessment processes (ICAAP and ILAAP) through which the Bank ensures that it has sufficient capital and liquidity in place to cover the risks the Bank faces.

5.4 The Three Lines of Defence

The Bank manages risk using the '*three lines of defence'* model, via clear responsibilities established for all colleagues in relation to risk management, including executive and non-executive responsibilities documented as applicable under the Senior Managers and Certification Regime. The model operates as follows:

5.4.1 First Line of Defence

The Chief Executive Officer, executives and their teams are responsible for managing risk on a day-to-day basis, including identification of risks as they emerge, evaluating and reporting them and ensuring that the Bank operates within risk appetite. This includes producing Key Risk Indicators and other metrics, Committee and Board reporting, making sure that all colleagues are adequately trained, and that the executives and senior management provide leadership of the governance of risk as members of the relevant committees.

5.4.2 Second Line of Defence

The Chief Risk Officer and team operate as the second line of defence, working closely with the Chief Financial Officer and Chief People Officer and their respective teams. They are independently responsible for managing, designing, and continually updating the Enterprise Risk Management Framework and risk assessment and evaluation tools and systems, providing training, review, and challenge to the first line, and ensuring that the Bank operates within all applicable regulatory guidelines and in line with emerging industry good practices in relation to risk management. A key role of second line is to provide an independent view to management and the Board of the risks within the Bank.

5.4.3 Third Line of Defence

The third line of defence is comprised of Internal Audit, outsourced to Deloitte under the administrative supervision of the Chief Risk Officer and Chief Financial Officer, reporting to the Bank's Audit Committee. Internal Audit is responsible for providing independent assurance that the Enterprise Risk Management Framework, including its operation by the first and second lines, is operating effectively.

5.5 Risk Appetite Introduction

The Risk Appetite is the amount and type of risks the Board is willing to take in pursuit of its strategy and objectives. The overall objective is to protect the Bank from unacceptable levels of risk while supporting and enabling overall business strategy (including the assessment of new business opportunities). The Bank's Risk Appetite Statement outlines a mixture of qualitative and quantitative measures (Statements and Key Risk Indicators). The regular review of the Bank's appetite for risk is facilitated and challenged by the Risk Management function, driven by the recommendations of the appropriate executives and subject matter experts. This process includes ensuring that the key risks identified remain appropriate against the strategic plan, current business, macroeconomic, geopolitical, regulatory, and legal environment, and experience of risk throughout the preceding year. On at least an annual basis, the Risk Management function provides review and challenge before presentation to the relevant executive committee (Risk Management Committee, Credit Committee or Asset & Liabilities Committee) for further review and challenge and recommendation to the Board Risk & Compliance Committee for approval. The Risk Appetite Statement was refreshed and updated via this process in 2020.

The Bank's performance against Risk Appetite is monitored via reporting to the executive risk committees. This is summarised within the Chief Risk Officer Risk Management Report, which is presented to Risk Management Committee and appropriate Board committees monthly. The periodic reporting shows status against each Key Risk Indicator (KRI) and overall rating, based on parameters set within the Enterprise Risk Management Framework, using a Red/Amber/Yellow/Green scale and the expert judgement of the first and second lines. These KRI's detail the Bank's Risk Appetite and are reviewed at least annually or in the event of a major change to strategy and/or environment within which the Bank operates.

5.6 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.

5.7 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.

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

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

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 or 2 indicators have been reached are summarised in the table below.

Colour Code	ALL INDICATORS Business as Usual	ALL INDICATORS Potential Increase in Risk	ALL INDICATORS Approaching Risk Appetite		TIER 2 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*	
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	
Timing of Reporting	Monthly	Monthly	Exec. Within 24 Hours	RCC Monthly	Initial report ASAP. Detailed plan in 24 Hours	
Report recipient	Risk & Compliance Committee (RCC)	Risk & Compliance Committee			Exec, RCC & Board / where appropriate the Regulator	

5.8 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.

5.9 The Risk Profile

The Bank's principal risks and uncertainties are defined in the table below. This includes the applicable governance framework, risk appetite and mitigants in place.

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
Total Risk	Enterprise Risk Management Framework Strategic Plan Risk Management Committee Risk & Compliance Committee	The Bank takes a conservative approach to risk management, having a low-risk appetite for all risk types, apart from Credit Risk, for which its appetite is moderate, and operates within strict parameters. The Bank recognises that there are certain types of risk to which it does not want any exposure (e.g. fraud), but that instances can and do occur. The Bank therefore takes active steps to minimise the possibilities of such incidents arising and strives to mitigate the impact when they happen, learning from any mistakes made.	Monthly assessment by the Chief Risk Officer of the Bank's overall risk profile, based on performance against appetite in all risk categories.	The Bank monitors its overall risk profile closely via its governance structure to ensure that it always remains within Risk Appetite, in alignment with its strategy.

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
Strategic The risk of having an insufficiently defined or flawed strategy that does not adapt to market and business developments and/or meet the requirements and expectations of stakeholders.	Enterprise Risk Management Framework Strategic Plan Risk Management Committee Risk & Compliance Committee Executive Committee Board	The Bank maintains a low appetite for Strategic Risk. The Bank aims to deliver a satisfactory return on capital to its shareholders, generating profitable returns and building gross lending balances, whilst retaining stable asset quality and maintaining a satisfactory cost of risk. This will be achieved within stated Risk Appetite and regulatory guidelines, with market leading customer service delivered, demonstrated by above average new business margins and positive customer experience. The Bank aims to be an employer of choice, ensuring that it has the right mix of skills and experience to grow the Bank. The Bank works hard to protect its brand, minimising reputational risk and plays an active and responsible role in the community.	- Strategy debated at Board Strategy Day, including 2nd line challenge - Ongoing discussion at risk committees and Board - Regular employee, broker, and customer surveys - Ongoing review of Financial performance against budget - Media monitoring/ engagement - Demonstrations of corporate social responsibility	The Bank has a clear strategy, which is monitored effectively.
Capital Adequacy The risk that the Bank fails to hold sufficient capital to meet its regulatory obligations, support its growth plans or to absorb shocks.	Capital Management Policy Asset & Liabilities Committee Risk & Compliance Committee Executive Committee Board	The Bank maintains a low appetite for Capital Adequacy Risk. Its priority is to maintain a capital surplus above CET1 and total capital requirements sufficient to absorb any unexpected losses and costs without utilisation of regulatory buffers and ensure that its capital base can support a growing and maturing book through the economic cycle, allowing for potential downturns.	- Maintaining a capital surplus buffer exceeding minimum regulatory requirements - Ongoing forecasting of capital requirements reported to risk committees - Annual ICAAP process, incorporating regular stress testing of the capital base in 'severe yet plausible' scenarios - Horizon scanning to ensure continued compliance with regulatory requirements	The Bank maintains and monitors a robust capital base, including a management buffer more than regulatory requirements.
Liquidity & Funding The risk of being unable to fund assets and meet obligations as they fall due, without incurring unacceptable losses.	Asset-Liability Management Policy Savings Protocols Asset & Liabilities Committee Risk & Compliance Committee	The Bank maintains a low-risk appetite for Liquidity & Funding Risk. The Bank holds sufficient liquid assets to meet liabilities as they fall due and ensures that its liabilities can always be met in a stressed scenario, including maintaining satisfactory liquidity coverage and loan to deposit ratios. The Bank will ensure that it is not overly reliant upon any single savings intermediary to raise deposits.	- Measuring, managing, and monitoring the risk over appropriate time horizons, including intra-day - Regular re-forecasting of the liquidity positions - Monitoring strict criteria over the use of High-Quality Liquid Assets - Annual ILAAP process, including stress testing of the liquidity base in 'severe yet plausible' scenarios - Horizon scanning to ensure continued compliance with regulatory requirements	The Bank maintains and monitors its liquidity and funding requirements on a regular basis, including intra-day risk and maintaining a management buffer more than regulatory requirements.

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
Tax The risk of loss resulting from the Bank entering any arrangements outside risk appetite including failure in any process or control for the management of tax risk which leads to any incorrect or late filing of any tax return and any tax outcome of any business activity or project which is significantly different from the expected or planned outcome.	Tax Policy Asset & Liabilities Committee Risk & Compliance Committee	The Bank maintains a low-risk appetite for Tax Risk whilst acknowledging that certain factors will mean that some may need to be assumed, tax risk as a result of the increasing complexity and growth in the Bank's operations, organisational structure and product profile and changes in tax law. Nevertheless, the Bank has zero appetite for breaches of tax laws or the HMRC Code of Practice for Banks. The Bank undertakes tax planning and assumes tax risk only where it is consistent with the aims and purposes of its business operations. The Bank is transparent and open in its dealings with all tax authorities and considers any tax position or arrangement with full regard to its corporate social responsibility.	- Use of expert external advisors to minimise tax risks and provide ad hoc advice where needed - Monitoring compliance with policy and transparency of transactional activities	The Bank has a limited exposure to Tax Risk, and it is measured closely with metrics presented to the Risk Committees in accordance with the applicable policy.
Interest Rate Risk in the Banking Book The risk that changes in interest rates negatively impact the earnings or market value of the Bank's assets or liabilities	Interest Rate Risk in the Bank Book Policy Asset & Liabilities Committee Risk & Compliance Committee	The Bank has a low appetite for interest rate and basis risk by keeping all assets, liabilities and off-balance sheet exposures in sterling and carefully managing mismatches between tenors of loans and deposits, hedging exposures where necessary within pre-determined limits.	- Scenario analysis - Use of natural balance sheet hedges and derivatives when needed - Monitoring of pipeline, repayment profiles and product maturities. - Modelling a variety of different yield curves/interest rate paths.	Interest Rate Risk in the Bank Book is monitored via Key Risk Indicators and scenario analysis.
Market The risk that changes in market rates negatively impact the earnings or market value of the Bank's assets or liabilities	Interest Rate Risk in the Bank Book Policy Asset & Liabilities Committee Risk & Compliance Committee	The Bank has no appetite for foreign currency and a low appetite for interest rate and basis risk by keeping all assets, liabilities and off-balance sheet exposures in sterling and carefully managing mismatches between tenors of loans and deposits, hedging exposures where necessary within pre-determined limits.	- Scenario analysis - Use of natural balance sheet hedges and derivatives when needed - Monitoring of pipeline, repayment profiles and product maturities. - Modelling a variety of different yield curves/interest rate paths.	Market Risk is limited to Interest Rate Risk in the Banking Book, which is monitored via Key Risk Indicators and tested via scenario analysis.
Credit The risk that counterparties fail to meet, in a timely manner, the commitments into which they have entered.	Credit Risk Management Framework Lending Protocols Credit Committee Risk & Compliance Committee Climate Change Steering Committee Model Risk Oversight Committee	The Bank has a moderate appetite for Credit Risk overall, maintaining conservative parameters, including a maximum LTV of 70%, focusing on relationship management, including undertaking annual reviews. It maintains lending distribution and product offerings within parameters agreed by the Board, diversified by sector and UK region, with a minimal appetite for 'speculative' lending. The Bank concentrates its lending on areas where it has experienced subject matter experts in both the first and second line of defence, supported with the necessary operational capacity, systems, and infrastructure to manage and monitor the loans through their life cycle in an effective manner. The Bank will operate within protocols, underwriting guidelines, exception limits and regulatory guidelines and manage the Early Warning Report and Watch List	- Regular modelling of funding requirements and interest rate risk analysis compliance with detailed Risk Appetite and Lending Protocol parameters - Quarterly Stress Testing of the loan portfolio - Segregation of responsibility for the management of loans and a program of underwriting from business development and sales - Use of seasoned professionals with deep subject matter expertise and experience and ongoing training - Quality Assurance checks to ensure adherence to policies and procedures - Use of credit grading models as part of the	Credit Risk is one of the principal risks the Bank faces, given the nature of its business. The lending portfolio is closely monitored via several detailed metrics, including Concentration, Breaches and Exceptions, Asset Quality and Treasury Counterparty Indicators and via the use of credit grading models. Stress testing is employed to ensure that sufficient capital is maintained. The Bank is also assessing the

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
		proactively to ensure that asset quality remains satisfactory. The Bank will not chase growth at the expense of credit and asset quality. Although the Bank recognises that through the full range of the economic cycle, some credit losses are inevitable, its robust underwriting standards aim to minimise them, with close monitoring of risk appetite monthly via a comprehensive suite of Key Risk Indicators.	approval process, ongoing monitoring, and portfolio analysis - Conducting annual reviews to ensure monitoring throughout the facility lifecycle - Close monitoring of non-performing loans, including Watch List, Early Warning Report, Forbearance, and management of arrears - Detailed provisioning requirements and procedures	potential impact of climate change and the environmental factors on its loan portfolio.
Legal, Compliance & Regulatory The risk that non-compliance with laws or regulations could give rise to fines, litigation, sanctions, reputational damage, or financial loss	Compliance Framework Compliance Monitoring Framework Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Legal, Compliance and Regulatory Risk. Whilst it recognises that operational errors can occur, the Bank maintains zero tolerance for reportable breaches of regulations, regulatory policy breaches, breaches of applicable laws, late responses to regulatory requests or gifts/hospitality policy breaches. The Bank strives to ensure that this always remains within the law and regulation. All material breaches are investigated and reported to the Risk & Compliance Committee in a timely manner, rule changes are implemented within the applicable regulatory timelines and staff operate within the Bank's documented policies and controls and, where applicable, industry guidelines.	- Compliance monitoring of the Bank's activities - Undertaking detailed and regular reviews of key activities and processes - Provision of advice in relation to business, product and change management requests - Ensuring appropriate registrations under the Senior Management and Certification Regime - Maintaining logs of compliance breaches and conflicts of interest - Horizon scanning to ensure continued adherence to regulatory requirements - Regular training and development of staff to ensure up to date knowledge base	Ensuring compliance with all applicable regulatory requirements in a fast-changing landscape is a challenge to which the Bank devotes considerable resources, and the Compliance Framework is continually under review to ensure that it meets all requirements and is in line with leading industry practices.
Financial Crime The risk that inadequate controls relating to financial crime could give rise to fines, litigation, sanctions, reputational damage, or financial loss	Financial Crime Framework Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Financial Crime risk, aiming to maintain a low level of residual risk, striving to ensure that it always remains within the law and regulation. Whilst the Bank recognises that operational errors can occur, it maintains zero tolerance for breaches of compliance with applicable financial crime laws and regulations, deliberate facilitation of tax evasion, bribery and facilitation payments and internal fraud. All breaches are investigated and reported to the Risk Management Committee and Risk & Compliance Committee in a timely manner, rule changes are implemented within the applicable regulatory timelines and staff operate within the Bank's documented policies and controls and, where applicable, industry guidelines.	- Obtaining and using intelligence and national and international findings - Receiving reports of suspicious activity from any employee in the business - Evaluating any suspicions of money laundering/ terrorist financing - Undertaking business wide risk assessments - Customer and third-party due diligence, screening, and transaction monitoring - Horizon scanning to ensure continued adherence to regulatory requirements - Regular training and development of staff to ensure up to date knowledge base	Ensuring compliance with all applicable regulatory requirements in a fast-changing landscape is a challenge to which the Bank devotes considerable resources. The Financial Crime Framework is continually under review and maintained in line with leading industry practices. Annual submission of the MLRO Report to the Board
Operational The risk that events arising from inadequate or failed internal processes, people, and systems	Operational Risk Management Framework	The Bank maintains a low appetite for Operational Risk. It aims to minimise incidents and losses arising from operational risk issues by maintaining a resilient infrastructure, including robust systems, employing, and training the right people, minimising	- Risk and Control Self Assessments and Risk Registers - Scenario Analysis - Monitoring of Operational Risk Events and 'Deep Dive' analysis, where appropriate	Operational Risk is one of the key risks the Bank faces. Although Operational Risk related losses have historically been low,

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
or from external events cause regulatory censure, reputational damage, financial loss, service disruption and/or customer detriment.	Risk Management Committee Risk & Compliance Committee	the impact of external events, and having a framework in place to ensure operational risks are captured, monitored, and mitigated, with lessons learned from mistakes. This includes clear first line ownership of operational risks, review, and challenge by the second line and assurance from the third line. Focus is maintained on key risks, including outsourcing, operational resilience, model, people, cyber and technology risks. A suite of Key Risk Indicators is in place to escalate issues to senior management and the Board, regular reviews of these KPI's are undertaken. Operational Risk Events are captured, recorded, and reviewed with actions taken to avoid recurrence.	- Reviewing projects and change management requests - Monitoring of the risk posed using critical and outsourced suppliers - Horizon scanning to ensure continued adherence to regulatory requirements and leading practices - Regular training and development of staff to ensure up to date knowledge base - An enhanced Risk and Control Self-Assessment process is being rolled out across the Bank.	the framework has been strengthened following an external review and ongoing enhancements are being undertaken under a new Head of Operational Risk to ensure that the Bank's Operational Risk Framework is in line with all regulatory requirements and leading practices.
Conduct The risk that customers suffer loss or detriment due to failures at any stage of the customer journey, including inadequate product design, sales/marketing processes and operational delivery, data management and record keeping or the failure of its staff or key providers of services to act with integrity and treat the customers' best interests as the highest priority.	Conduct Risk Framework Customer & Product Committee Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Conduct Risk, employing a strategy that is customer-centric, transparent and built on integrity, professionalism and fairness, ensuring that all its employees understand and fully operate within regulatory requirements (including the FCA Conduct Rules). The Bank's Strategic Priorities include maintaining a culture of 'doing the right thing for its customers and staff' and 'delivering clear and simple products' and are responsible for proactively managing Conduct Risk, maintaining customer interests as the highest priority	- Monitoring of the Conduct Risk KPI's - Complaints monitoring and analysis - Customer surveys - Independent review of customer calls - Annual product reviews - Analysis of the 'customer journey' - Annual report from the Chief Risk Officer on Conduct issues, feeding into the remuneration policy and practice - All variable pay schemes are linked to customer satisfaction measures.	The Bank prides itself on its strong risk culture and focus on customer outcomes. An updated Conduct Risk Framework is being implemented to ensure continued compliance with all requirements in this regard, including detailed reporting to the risk committees.
Operational Resilience Operational Resilience is the Bank's ability to prevent, respond to, recover, and learn from operational disruptions.	Operational Resilience Framework & Policy Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Operational Resilience Risk. It will ensure that its systems and operational capabilities are stable and resilient, and it has sufficient preventative measures in place to reduce the risk of a service failure and that it has the capabilities, in terms of people, processes and organisational culture, to adapt and recover when things go wrong. This includes having effective business continuity and disaster recovery plans in place and ensuring rapid and effective communications with the people most affected by a business disruption, especially its customer base.	- Business continuity management/disaster recovery procedures in place - Crisis Management Plan, including threat analysis - Impact tolerances set for critical services and suppliers - Communication plans and templates facilitate a rapid incident response if required - Testing of systems and processes in a range of scenarios	The Bank's Operational Resilience Framework is a key focus of management and the Board and is being continually enhanced for developments in regulatory requirements.
Securitisation Risk The risks arising from Securitisation transactions in relation to which the firm is investor, originator or	Credit Risk Management Framework Lending Protocols Credit Committee	The Bank has executed an 'Enable Guarantee' with the British Business Bank. The Enable Guarantee provides unfunded credit protection for loans covered by the guarantee. This constitutes a synthetic securitisation, which the Bank has originated.	-The pool loan exposure remains on balance sheet, whilst the accounting for the guarantee protection is off balance sheet. - Monthly reporting of the management of the overall	The key risk is managed under Credit Risk

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
sponsor, including reputational risks, to ensure in particular that the economic substance of the transaction is fully reflected in risk assessment and management decisions.	Risk & Compliance Committee Capital Management Policy Asset & Liabilities Committee Risk & Compliance Committee Executive Committee Board	The Enable Guarantee is guaranteed by the UK Government, and the guarantee portion of the loan exposures are risk weighted at 0% (per Art. 114 of CRR). The synthetic securitisation position is deducted from Own Funds (Art. 244(2)(b) of the CRR. The pool loan exposure remains on balance sheet, whilst the accounting for the guarantee protection is off balance sheet. The loans within the pool are managed and monitored in the same way as the overall portfolio, and should a loan default, would be subject to the same collections and recovery processes.	lending performance as part of credit risk. - Monthly reporting of the management of the BBB guarantee (including exposures) is included in the monthly management pack. - The exposure to the guarantor is an exposure to the British Government and as such attracts a 0% risk weighting	

5.10 Emerging Risks and Uncertainties

On a regular basis, the Bank will reassess the key risks to which it is exposed and add any which are emerging via the environment in which it operates. Its Emerging Risks during the year and at the time of the preparation of this document are assessed to be:

Emerging Risk	Definition	The Bank's Response
Global pandemic	The Coronavirus (COVID-19) started to become evident in the UK at the end of 2019 and, in addition to the threat to human life, threatens major economic disruption across the globe.	The Bank continues to follow the advice and guidance provided by the UK Government and the NHS. The Bank monitors the advice daily. The Bank is a member of UK Finance which is actively tracking developments across the UK finance industry. The Bank successfully invoked full remote working, ensuring that all its core operations and services are fully functioning. Management continues to monitor developments, assess the operational and people impacts, and closely monitors costs. The Board receives enhanced Management Information at regular intervals to augment the formal Governance structures. The Bank has supported customers, and will continue to do so, particularly in the high impacted sectors such as hospitality and leisure. Whilst we have seen a reduction in requests for support from a peak in the summer of 2020, we continue to watch events closely as we monitor the effects of further waves.
UK Political and Economic Environment	The uncertainty during 2020 made strategic planning difficult and posed a risk to business growth. This uncertainty is likely to continue throughout 2021 until the practical implications of the Trade deals and Financial Services equivalence arrangements are fully understood.	The situation continues to be monitored with UK political and forward economic outlook a key consideration as part of the process in developing the Bank's 3-year strategic plan and updating its Risk Appetite Statements. Following the EU Withdrawal agreement, we will continue to monitor the practical implications and effects.

Emerging Risk	Definition	The Bank's Response
Cyber	A Cyber- Attack, due to insufficient defences and/or awareness by staff, could lead to a prolonged technology outage, loss, or theft of data and/or a ransom demand, resulting in financial loss and/or reputational damage to the Bank.	The Bank employs penetration testing and regular monitoring of defences as part of the measures taken to ensure Operational Resilience. The Bank has also engaged PWC to support its CISO responsibilities and achieved reaccreditation under the NIST Cyber Essentials program during 2020.
Climate Change	Climate Change is a growing risk and consideration needs to be given to the longer-term impacts, particularly in relation to our loan portfolio. If left unchecked, will lead to a medium/long term risk to the credit quality of the book because of flood risk and poor preparedness and lack of attention given to this risk by the property industry (which continues to tolerate low EPC grades) and impact on the Asset Finance and Classic Vehicles and Sports loan (CV&S) books. Both physical and transitional risks are being factored into Risk Appetite, Key Risk Indicators, and the credit grading model calculation.	This is a topic that the Bank takes very seriously and has provided a detailed report to the PRA on its response to Climate Change and plans to manage these risks. A Climate Change Steering Committee, chaired by the Chief Risk Officer, continues to develop the Bank's action plans, in addition to working with external bodies, such as UK Finance, to assess sector preparedness, planning and actions to ensure the Bank's initiatives remain appropriate and relevant. Regular progress reports are provided to key stakeholders, including the Board.
The lack of Operational Resilience, including failure of a critical supplier	Securing Operational Resilience is a key regulatory and operational consideration such that the Bank can prevent, respond to, recover, and learn from operational disruptions. As several key IT requirements are outsourced, including the Bank's core platform, satisfactory performance of its service providers is an essential part of ensuring Operational Resilience.	Operational Resilience and Supplier Risk Management Frameworks were enhanced during 2020 and continual developments are part of its high priority Operational Resilience and Supplier Risk Management workstreams.
Pace and complexity of regulatory change	The Bank is affected by a wide range of regulatory requirements, each of which is constantly evolving. The risks are that changes are not detected, and breaches occur and/or the magnitude of changes causes a drain on staff resources such that business growth is affected.	The Bank has a Regulatory Horizon Scanning process through which necessary changes are identified and tracked at the appropriate executive and Board committees.

5.11 The Bank's deems the following risks as non-applicable

Principal Risk	Risk Appetite Statement
Settlement Risk Settlement risk arises where transactions in debt instruments, equities, foreign currencies and commodities are unsettled after their due delivery dates.	The Bank does not invest in debt instruments (other than EIB, IRBD bonds), equities and commodities or have exposure to foreign currency transactions and therefore settlement risk is not a risk that the Bank considers material.
Group Risk 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.	CCB does not consider that it is exposed to this risk as it is a single entity.
Pension Risk	CCB does not consider that it is exposed to this risk as it is not financially responsible for any pension schemes offered to its employees.

6 Remuneration

As a Small CRR Firm with less than £13bn 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 (Dec 2020 update) 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 six times during 2020. 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.

During the year, the Committee reviewed and, where felt appropriate, approved the Bank's profit share scheme, sales and executive bonus schemes and annual pay review based upon agreed metrics and performance criteria as well as upon advice from the Bank's auditors and risk function. The Committee has also considered the role of the Bank's LTIP scheme and whether this continues to remain a suitable scheme for the Bank. The Bank has enhanced its employee benefit package and the Committee has maintained oversight of those changes to ensure the remuneration policy principles are adhered to. It has additionally overseen the arrangements for termination payments to Executive Directors.

6.1 Remuneration Policies

The Performance & Remuneration Committee is authorised by the Board to consider and recommend to the Board the remuneration policy. The policy is considered regularly by the Committee, taking account of changes in regulation and the wider market. In formulating and reviewing the policy, independent advice is sought and considered. In particular, the sustainability of the policy and its risk impact are carefully reviewed. The remuneration policy is formally approved by Committee annually.

The Bank's remuneration policy is to ensure that we attract and retain key talent to create sustainable long-term value for shareholders.

The Bank'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 Bank's 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, operational, liquidity, reputational and other risks identified by the Bank.

This is achieved through the application of the following 6 principles which are adhered to when designing and implementing any aspect of remuneration:

i. We 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. Our remuneration structures are straightforward, as such they are transparent, communicated and understood by all 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. Our 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; and
vi. Our 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.

6.1.1 Reward outcomes in 2020

2020 has been a challenging year for the Bank resulting in a financial performance that, as a direct consequence of the COVID-19 pandemic, delivered an outcome adverse to the original 2020 business plan expectations with increased provision for impairment charges relating to customer forbearance and projected expected credit losses under IFRS9.

The Performance & Remuneration Committee has reviewed the business performance in 2020 and considered risk events in conjunction with the Board Risk & Compliance Committee, the affordability of paying variable pay, and the associated risk of low variable pay. After assessment of performance, the Committee has determined that the Executive long-term incentive plan (LTIP) 2018-2020 will not vest in 2021. However, the Committee recognised that 2020 has been exceptionally demanding of our people in successfully managing the business, and meeting our customers' needs, and has therefore approved the distribution of £1.4m variable pay award.

6.1.2 Executive Director Remuneration

The table below summarise the Executive Directors' remuneration policy for 2020:

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Salary	– The Performance & Remuneration Committee is committed to adhering to the Financial Services Remuneration Code, thus ensuring that the Bank has risk-focused remuneration policies – Reflects skills and experience over time – Reflects the value of the individual and their role – Provides an appropriate level of basic fixed income – Avoids excessive risk taking 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, provision of private medical insurance, life assurance and permanent health insurance	– Not applicable	– Not applicable

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Bonus	– Incentivises annual delivery of financial and strategic goals – Maximum bonus only payable for achieving business and personal targets	– Paid in cash – Not pensionable	– 50% 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) Stopped in 2020 – final scheme still running is 2019 - 2021	– 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	– Achievement in final year of 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 may request a salary sacrifice for the equivalent of their personal pension contribution. This arrangement is also available for other staff – For EDs who have exceeded their lifetime allowance and/ or tapered allowance, there is the option of taking a 10% pension allowance in cash (taxable allowance)	– 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.

6.1.3 Changes to schemes from 2020

The LTIP scheme was discontinued in 2020, with the last granted LTIP being for the performance periods ending 2020 and 2021. No LTIP award was made for 2020 as performance criteria was not achieved. Where performance measures are achieved for 2021, the LTIP award will vest in 2022 at a maximum of 20% base salary. The Executive bonus scheme was increased by 20% to a maximum of 50% in 2020, maintaining the variable remuneration package for Executives.

6.1.4 Consideration by the Directors of matters relating to Directors' Remuneration

The Performance & Remuneration Committee engage Deloitte LLP (Deloitte) to provide independent advice on remuneration matters. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte has provided independent advice on matters under consideration by the Performance & Remuneration Committee including compliance with regulations, advice on market trends and data, remuneration policy and implementation of remuneration arrangements, including support in remuneration arrangements for departing Executives. The Performance & Remuneration Committee is satisfied that the advice it has received has been objective and independent.

In addition, management received external advice, including market data and legal counsel, from a number of other providers which is not considered to be material in assisting the Performance & Remuneration Committee to consider Directors' remuneration.

6.1.5 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 level 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.

6.1.6 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 3 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 provided to employees or Executive Directors except for 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 – NED fees are considered and approved by the Shareholders and Chairman – Chairman fees are approved by Performance & Remuneration Committee	– There is no prescribed maximum annual increase. All increases are guided by market rates and the general increase for the executive director population – NEDs who chair Board Committees receive an additional responsibility allowance of £5k – The Senior Independent Director receives an additional responsibility allowance of £5k	– 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 Material Risk Takers. 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 2020	Year to 31 December 2019
No of material risk takers	24	32
Total Remuneration £m	4.1	4.3
Variable remuneration as a % of total remuneration	18%	10%
Variable remuneration £m	0.7	0.4
Amounts receivable under long term incentive schemes £m	0.0	0.0
Provision for compensation for loss of office £m	0.1	0.5

Remuneration of Staff by Business Area

The table below shows the breakdown of staff costs by Business area during 2020.

Business Area	Year to 31st December 2020	Year to 31st December 2019
Average Staff Numbers	165	149
Staff Costs (£m)		
Customer Facing	2.7	2.7
Non-Customer Facing	10.2	8.1
Total Costs	12.9	10.8

7 Capital Resources

7.1 Available Capital Resources

The Bank manages its capital requirements according to CRD IV (see Section 3.1). This framework is enforced in the UK by the PRA who 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. Throughout the period to 31 December 2020, the Bank maintained its capital resources at a level above the minimum capital adequacy requirements. 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.

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 also set aside '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. The PRA will set Pillar 2A requirements for risks not captured under Pillar 1 capital requirements and it will set Pillar 2B (the PRA Buffer – see Section 8.5) requirements to meet potential shortfalls in capital that may occur in the future due to severe stress scenarios like economic downturns. Pillar 1 and Pillar 2A requirements are referred to as the Bank's Total Capital Requirement (TCR). CCB maintains its capital base in excess of its TCR and PRA Buffer and has complied with all externally imposed capital requirements during 2020. The PRA monitors capital adequacy through regulatory returns.

In addition to the TCR and PRA Buffer requirements, CRD IV also mandates that Banks hold capital to meet the Capital Conservation Buffer (CCoB) and Countercyclical Capital Buffer (CCyB). The CCoB and CCyB are collectively known as CRD IV Combined Buffers (see Section 8.6).

Under the Bank Recovery and Resolution Directive (BRRD I and II), the Bank of England has assigned CCB to the 'Modified Insolvency' category. The Bank meets this requirement by holding sufficient capital to meet its Total Capital Requirements (TCR) which comprises Pillar 1 and Pillar 2A.

As at 31 December 2020, the Bank's capital base was £153.2m (31 Dec 2019 £142.4m), 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 arrangements have been applied
Deductions	✓	✓	Intangible assets Enable Guarantee first loss fund
Perpetual subordinated contingent convertible loan notes		✓	Additional Tier 1 capital

The total assets of the Bank at 31 December 2020 were £1,074m (31 Dec 2019 £1,004m). The tables below set out the Bank's capital resources and ratios at 31 December 2020, and how the resources reconcile to the Bank's reported statutory capital.

7.2 Own funds disclosure

Own Funds – Regulatory disclosure template 31 December 2020 £'000		2020 £000s	2019 £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	44,955
2	Retained Earnings	82,254	74,296
3	Accumulated other comprehensive income	26	2
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	127,235	119,253
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets	(83)	(791)
10	Deferred tax that rely on future profitability excluding those arising from temporary differences	-	-
20c	Securitisation Positions	(1,688)	(1,687)
	Transitional adjustments - IFRS 9*	4,799	2,696
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	3,028	218
29	**Common Equity Tier 1 (CET1) capital**	130,263	119,471
30	Capital instruments and the related share premium accounts	22,900	22,900
31	of which: classified as equity under applicable accounting standards	22,900	22,900
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	22,900	22,900
Additional Tier 1 (AT1) capital: regulatory adjustments		-	-
44	**Additional Tier 1 (AT1) capital**	22,900	22,900
45	**Tier 1 capital (T1 = CET1 + AT1)**	153,163	142,371
Tier 2 (T2) capital: instruments and provisions			
50	Credit risk adjustments	-	-
51	Tier 2 (T2) capital before regulatory adjustments	-	-
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	**Tier 2 (T2) capital**	-	-
59	**Total capital (TC = T1 + T2)**	153,163	142,371
60	**Total risk weighted assets**	629,727	619,343
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	20.69%	19.29%
62	Tier 1 (as a percentage of total risk exposure amount)	24.32%	22.99%
63	Total capital (as a percentage of total risk exposure amount)	24.32%	22.99%
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)**	7.00%	8.00%
65	of which: capital conservation buffer	2.50%	2.50%
66	of which: countercyclical buffer	0.00%	1.00%
68	CET1 capital available to meet buffers (as a % of risk exposure amount)	12.69%	11.29%

*The Bank has applied IFRS 9 transitional arrangements. .

**Article 92(1) sets a CET 1 requirement of 4.5% for all institutions. This together with the CCoB & CCyB gives a total of 7.00%.

7.2.1 Reconciliation of Statutory and Regulatory Capital

£'000	2020	2019
Equity as per statement of financial position	150,135	142,153
Regulatory adjustments		
Less intangible assets	(83)	(791)
Less Securitisation first loss fund	(1,688)	(1,687)
IFRS 9 Transitional Adjustment	4,799	2,696
Total regulatory capital	**153,163**	**142,371**

7.3 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 and is designed to prevent build-up of excessive leverage. 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 UK regulatory requirement of 3%.

Leverage Ratio £'000	Regulatory Minimum	2020	2019
Total Tier 1 Capital		153,163	142,371
Exposures			
Balance sheet exposure (Inc. Derivative PFE exposure)*		1,073,330	1,002,533
Off balance sheet exposure		23,923	25,468
Total Exposures		1,097,253	1,028,001
Leverage Ratio	3%	13.96%	13.85%

* Excludes intangibles, deposits held as collateral for loans and loan loss provisions for off-balance sheet loan commitments.

7.3.1 Leverage ratio regulatory disclosures

Table LRSum : Summary reconciliation of accounting assets and leverage ratio exposures (2020)		
	£'000	Applicable amount
1	Total assets as per published financial statements	1,074,261
4	Adjustments for derivative financial instruments	60
6	Adjustment for off-balance sheet items	23,923
7	Other Adjustments *	(991)
8	Leverage ratio total exposure measure	1,097,253

* Includes intangibles, deposits held as collateral for loans and on balance sheet loan loss provisions for off-balance sheet loan commitments.

Table LRCom: Leverage ratio common disclosure		
	£'000 On-balance sheet exposures	CRR leverage ratio exposures 2020
1	On-balance sheet items *	1,073,353
2	Asset amounts deducted in determining Tier 1 capital	(83)
3	**Total on-balance sheet exposures**	**1,073,270**
	Derivative exposures	
5	Add-on amounts for PFE associated with all derivative transactions	60
11	**Total derivative exposures**	**60**
	SFT exposures	
16	**Total securities financing transaction exposures**	-

	Off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	161,564
18	(Adjustments for conversion to credit equivalent amounts)	(137,641)
19	**Other off-balance sheet exposures**	**23,923**
	Capital and Total Exposure Measure	
20	**Tier 1 capital**	**153,163**
21	**Leverage ratio total exposure measure**	**1,097,253**
	Leverage Ratio	
22	**Leverage ratio**	**13.96%**
	Choice on transitional arrangements	
EU-23	Basis of disclosure of the leverage ratio	Transitional Basis
EU-24	Amount of derecognised fiduciary items	-

*Excludes £0.160m of on-balance sheet provisions relating to off balance sheet loan commitments and is net of deposits relating to collateral for loans

Table LR Spl: Split-up of on balance sheet exposures		
	£'000s	CRR leverage ratio exposures 2020
EU-1	**Total on-balance sheet exposures, of which*:**	**1,073,270**
EU-5	Exposures treated as sovereigns	191,634
	Multilateral development banks	38,044
EU-7	Institutions	9,696
EU-8	Secured by mortgages on immovable properties	667,623
EU-10	Corporate**	99,787
EU-11	Exposures in default***	16,584
	Securitisation exposures	43,479
EU-12	Other exposures	6,424

* Excludes on-balance sheet provisions relating to off balance sheet loan commitments and intangible assets deducted from capital and is net of deposits relating to collateral for loans
*** Exposures in default excludes defaults on high risk loans.
Sovereign exposures includes the Bank's cash ratio deposit of £672k

7.3.2 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.

7.4 IFRS 9 Transitional Relief Template

In January 2018, the introduction of international accounting standard IFRS 9 resulted in a number of measures including a new expected credit loss (ECL) impairment framework. To assist banks in managing the capital impacts associated with these new provisions, transitional arrangements were put in place in December 2017 to mitigate the potentially significant negative impact on banks CET1 capital arising from ECL accounting under IFRS 9. In June 2020, in response to the COVID-19 crisis, the transitional arrangements were further revised by the CRR/CRR2 'Quick Fix' amendments

7.4.1 Key aspects of the Quick Fix

i. The Quick Fix extends the IFRS 9 transitional arrangements by two years, and allows Banks to fully add back to their CET1 capital any increase in expected credit loss provisions that they recognise in 2020 and 2021 for their financial assets that are not credit-impaired, as compared to end of 2019.

ii. For relevant provisions raised from 1 January 2020, the CET1 add-back percentages are set at 100% in 2020 and 2021, 75% in 2022, 50% in 2023, and 25% in 2024. The reference date for any increase in ECL provisions was moved to 1 January 2020 in order to limit the granted relief to COVID-19 related increases.

iii. The formula for the calculation of the ECL amounts that can be added back has been modified. This formula applies different factors to the "static component" relating to the "day-one impact" of IFRS 9 on CET1 (not impacted by the changes), and the dynamic (post-day-one) component, which is subject to the extended transitional period and to revised transitional adjustment factors.

The table below discloses the impact of the transition adjustment on own funds and the leverage ratio.

IFRS 9 Transitional Relief Template			
Available capital (£000s)		31 Dec 2020	31 Dec 2019
		IFRS 9	IFRS 9
1	Common Equity Tier I (CET1) capital	130,263	119,471
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	125,464	116,775
3	Tier 1 capital	153,163	142,371
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	148,364	139,675
5	Total Capital	153,163	142,371
6	Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	148,364	139,675
Risk-weighted assets (amounts)			
7	Total risk-weighted assets	629,727	619,343
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	625,673	619,343
Capital Ratios			
9	Common Equity Tier1 (as a percentage of risk exposure amount)	20.69%	19.29%
10	Common Equity Tier1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.05%	18.85%
11	Tier 1 (as a percentage of risk exposure amount)	24.32%	22.99%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23.71%	22.55%
13	Total capital (as a percentage of risk exposure amount)	24.32%	22.99%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23.71%	22.55%
Leverage ratio			
15	Leverage ratio total exposure measure	1,097,253	1,028,001
16	Leverage ratio	13.96%	13.85%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.53%	13.59%

The leverage ratio marginally increased during the year from 13.85% to 13.96%. This was driven by an 7.6% increase in the Tier 1 capital resources versus a 6.7% increase in the leverage ratio total exposure measure.

8 Capital Requirements

This section is divided into Pillar 1 and Pillar 2.

As described in Section 8.1, Pillar I regulatory capital deals with the regulatory capital calculated for the following risk components:

- credit risk (including counterparty credit risk) and dilution risk;
- operational risk;
- market risk;
- settlement risk and
- credit valuation adjustment risk

CCB is subject to Pillar 1 capital requirements related to credit risk, operational risk and credit valuation adjustment risk.

8.1 Pillar 1 - Risk Weighted Exposure Amounts

The assets of the Bank are analysed by risk category and are assigned weightings which reflect the level of risk exposure under the Standardised Approach. The Bank's credit risk consists of counterparty credit risk and all other credit risk, principally arising from its loans and advances to customers.

8.1.1 Overview of RWA (OV1)

Overview of RWA (OV1) £'000 31 December			Risk Weighted Assets*		Minimum Capital Requirements 2020 (RWA * 8%)
			2020	2019	
Article 438(c)(d)	1	Credit risk (excluding CCR)	**541,056**	**529,304**	**43,284**
	2	Of which standardised approach (SA)	541,056	529,304	43,284
Article 107 Article 438(c)(d	6	Counterparty credit risk (CCR)	**50**	**23**	**4**
	9	Of which SA-CCR	34	13	3
	12	Of which CVA	16	10	1
Article 449(o)(i)	14	Securitisation exposures in the Banking Book (after the cap)	**8,161**	**9,034**	**653**
	18	Of which standardised approach	8,161	9,034	653
Article 438(f)	23	Operational risk	**78,647**	**79,158**	**6,292**
	24	Of which Basic Indicator Approach	78,647	79,158	6,292
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,813**	**1,823**	**145**
	29	**Total**	**629,727**	**619,342**	**50,378**

*after the application of SME factor where appropriate

The Bank's minimum capital requirements for credit risk are calculated by applying the Pillar 1 capital requirement of 8% to the risk weighted assets of CCB. 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.

8.2 Key aspects of the SME Support Factor

i. Small and medium-sized eterprises (SMEs) play a fundamental role in creating economic growth and providing employment in the UK/EU. SMEs also carry a lower systematic risk than larger corporates and capital requirements for SME exposures should therefore be lower than those for large corporates to ensure an optimal bank financing of SMEs. Reducing capital requirements for SME exposures would allow banks to increase lending to SMEs.

ii. The EU has acknowledged this reality in the CRR (from 26 June 2013) by establishing the SME Support Factor. This requires that capital charges for exposures to SMEs be reduced through the application of a supporting factor equal to 0.7619. SME exposures of up to €1.5m are subject to a 23.81% reduction in RWAs.

iii. The CRR2 (from 28 June 2021) revised the €1.5m threshold because it was not considered indicative of the change in risk of an SME exposure. The reduction in capital requirements for banks were extended to SME exposures of up to €2.5m and the part of an SME exposure exceeding €2.5m be subject to a 15% reduction in capital requirements.

iv. The SME support factors were amended as follows (application from 28 June 2021):
   a. factor of 0.7619 for the capital requirements for credit risk on exposures up to the value of €2.5m and
   b. factor of 0.85 for capital requirements for credit risk on the incremental exposure above €2.5m.

v. To support SMEs during the COVID-19 crisis, the EU amended the CRR/CRR2 (Quick Fix amendment 7 June 2020) and the application date for the revised SME supporting factors was brought forward from 28 June 2021 to 28 June 2020.

8.3 Pillar 2

The Pillar 2 capital framework (see Section 8.3) 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 1 capital requirements such as concentration risk and interest rate risk in the banking book. Pillar 2A requirements are included in CCBs TCR, and,
b) Pillar 2B– Risks to which banks may become exposed over a forward-looking planning horizon. Pillar 2B is also referred to as the PRA Buffer.

The PRA's expectations on Pillar 2A and Pillar 2B disclosure is set out in paragraphs 5.37 to 5.39 of Supervisory Statement 31/15. The PRA expects firms to disclose publicly their TCR (Pillar 1 + Pillar 2A). The PRA expects firms to treat all other information relating to TCR, including details of its constituent parts, and all information relating to their PRA buffer, as confidential unless required to disclose it by law.

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.

8.4 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.

Credit Spread Risk in the Banking Book (CSRBB) refers to any kind of asset/liability spread risk of credit-risky instruments that is not explained by Interest Rate Risk in the Banking Book (IRRBB) and by the expected credit/jump to default risk. CCB does not hold a portfolio of credit-risky securities therefore there is no exposure to credit spread risk

The Bank's assesses the IRRBB in a number of ways:

a) 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 2020.
b) In accordance with EBA/GL/2018/02 the Bank considers any potential changes in their economic value (EV) and future earnings capacity that could arise from adverse movements in interest rates. The Bank also measures the impact by considering the six scenarios, including the 200 bp parallel shift up and down, the pivotal yield curve steeper and flattener and the 300 bp short-end yield curve shift up and down.
c) 25 bp parallel yield curve shift up and down.

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 European Investment Bank (EIB) and The International Bank for Reconstruction and Development (IBRD) bonds in the High Quality Liquid Assets (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 2020 was:

31 December 2020 £'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*	190,962	-	-	-	-	-	190,962
Loans and advances							
Banks	9,687	-	-	-	-	-	9,687
Customers	770,854	6,585	16,287	43,552	4,366	(13,264)	828,380
Debt Securities	-	-	7,263	30,781	-	-	38,044
Other assets	-	-	-	-	-	7,188	7,188
Total on Balance Sheet assets	**971,503**	**6,585**	**23,550**	**74,333**	**4,366**	**(6,076)**	**1,074,261**
Off Balance Sheet Derivatives	-	-	11,000	12,000	-	-	23,000
Total assets	**971,503**	**6,585**	**34,550**	**86,333**	**4,366**	**(6,076)**	**1,097,261**
Liabilities							
Customers' accounts	(616,092)	(63,313)	(139,957)	(93,095)	-	(4,758)	(917,215)
Other liabilities	-	-	-	-	-	(6,911)	(6,911)
Total equity	-	(22,900)	-	-	-	(127,235)	(150,135)
Total liabilities and Equity	**(616,092)**	**(86,213)**	**(139,957)**	**(93,095)**	**0**	**(138,904)**	**(1,074,261)**
Off-balance sheet items:							
Notional value of derivatives	23,000	-	-	-	-	-	23,000
Interest rate sensitivity gap	**332,411**	**(79,628)**	**(105,407)**	**(6,762)**	**4,366**	**(144,980)**	**0**
Cumulative gap	**332,411**	**252,783**	**147,376**	**140,614**	**144,980**	**0**	

*Government and central bank exposures excludes the Bank's cash ratio deposit of £672k

The Bank considers a 200 basis points ("bps") movement to be appropriate for scenario testing given the economic outlook and industry expectations as at 31st December 2020 and estimated that a +/- 200bps movement in interest rates would have impacted the present values of interest flows as follows:

Basis point scenario*	2020 £m	2019 £m
+200bps	1.6	1.9
-200 bps	(1.7)	(2.1)

*A positive figure represents an increase in the present value of interest flows net interest income

The Bank assesses the 200 basis point and EVE shift on a monthly basis, with increased frequency during periods of uncertainty.

8.5 Pillar 2B (PRA Buffer)

Pillar 2B which is generated from the Supervisory Review Evaluation Process (SREP) deals with firm specific/idiosyncratic risk. 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) flexed for the type of business undertaken by the Bank. A bank's Pillar 2B capital requirement consists of the PRA Buffer which is based on the results of the Bank's stress testing.

8.6 CRD IV Combined Buffers

8.6.1 Capital Conservation Buffer (CCoB)

The CCoB was introduced to ensure that banks have an additional layer of usable capital that can be drawn down when losses are incurred. The CCoB currently stands at 2.5% of total RWAs and may be met with CET1 capital only.

8.6.2 Countercyclical Capital Buffer (CCyB)

The CCyB is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. The CCyB rate is determined by each jurisdiction in which a credit exposure arises. Financial institutions are required to hold additional CCyB 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 (FPC) at the Bank of England sets the applicable CCyB rate for the UK. This rate is applied to CCBs relevant credit exposures to derive the Banks institution specific CCyB requirement. The CCyB rate was reduced from 1% to 0% on 9 March 2020 in response to the COVID-19 pandemic.

Countercyclical Capital Buffer – credit exposures requirement

General Credit Exposures £000s	Trading Book Exposures £000s	Securitisation Exposures £000s	Total Exposures £000s	Own Funds General Credit Exposures £000s	Own Funds Trading Book Exposures £000s	Own Funds Securitisat - ion Exposures £000s	Total Own Funds £000s	Own Funds Requirement Weights %	Counter Cyclical Capital Buffer Rate %
865,809	0	10,601	876,410	43,274	0	653	43,927	100.00%	0.00%

- The above table discloses general credit exposures used in the calculation of the CCBs institutional specific CCyB. In accordance with CRD Article 140, exposures to central governments, central banks, multilateral banks, regional governments or local authorities, public sector entities and institutions are excluded from the calculation of relevant credit exposures..The Bank only has UK relevant credit exposures.

The Own fund requirement for CCyB requirements relates to the Bank's relevant credit exposures.

Row	2020 £000s	2020 £000s
010	Total risk weighted assets	629,727
020	Institution specific countercyclical capital buffer rate	0.00%
030	Institution specific countercyclical capital buffer requirement	0

9 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 9.8.

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 are 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 includes 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	2020	2019
Cash and balances at central banks	191,634	228,872
Loans and advances to banks*	9,696	7,695
Debt securities	38,075	-
Loans and advances to customers**	840,831	769,684
Other Exposures	6,424	5,898
Total on balance sheet**	**1,086,660**	**1,012,249**
Off-balance sheet treasury bills	57,047	76,577
Off-balance sheet derivative potential future exposure add-on	60	25
Commitments to lend***	75,552	53,300
Gross credit risk exposure	**1,219,319**	**1,142,151**
Less allowance for impairment losses	(12,482)	(8,181)
Net credit risk exposure	**1,206,837**	**1,133,970**

*Include derivatives of £9k
** Gross of cash collateral deposits
***Commitments to lend represent agreements entered into but not advanced as at 31 December.
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

The above table represents the maximum credit risk exposure to the Bank at 31 December 2020 and 2019 without taking account of any underlying security. At 31 December 2020 the value of security held as collateral against drawn loans and exposures is £1,433m (2019: £1,348m) and the Bank also owns the title to the assets financed under its Hire Purchase and Finance lease agreements of £69m.

9.1 Credit risk exposure and capital requirements

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

Credit Risk Exposure 31 December 2020 and 2019	Exposure Value £'000		Risk Weighted Exposures £'000		Minimum Pillar 1 Capital Requirement (8% x risk weight) £'000	
Exposure Class	2020	2019	2020	2019	2020	2019
Government and central banks	229,678	229,542	-	-	-	-
Institutions	9,696	7,695	1,941	1,539	155	123
Secured by mortgages on commercial real-estate	354,481	307,313	280,036	281,499	22,403	22,520
Secured by mortgages on residential property	285,263	270,853	100,442	94,799	8,035	7,584
Securitisation	43,479	43,470	8,161	9,034	653	723
Corporates	99,787	102,857	83,142	91,512	6,651	7,321
Higher-risk categories	27,877	21,262	42,961	31,893	3,437	2,551
Past due items	16,584	14,978	18,136	15,281	1,451	1,222
Other items	6,424	4,537	6,779	5,631	543	450
Balance sheet Exposure	**1,073,270**	**1,002,507**	**541,598**	**531,188**	**43,328**	**42,494**
Derivative – potential future exposure add-on	60	25	30	13	2	1
Off balance sheet commitments	75,392	53,300	9,436	8,975	755	718
Off balance sheet treasury bills	57,047	76,577	-	-	-	-
Total Exposure	**1,205,770**	**1,132,409**	**551,064**	**540,176**	**44,085**	**43,213**
Operational risk capital requirement			78,647	79,158	6,292	6,333
Credit Value Adjustment			16	10	1	1
Total Pillar 1 capital requirement			**629,727**	**619,344**	**50,378**	**49,547**

- Past due items are defined as any secured mortgage or corporates account which is three or more months in arrears.
- Defaults in the high risk category are reported under High Risk in line with COREP requirements.
- The Corporate exposure class includes asset finance and the unsecured element of any secured 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 £1m.
- Exposures (including off-balance sheet exposures) are net of loan loss provisions
- Government and central bank exposures includes the Bank's cash ratio deposit of £672k
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief (except risk weighted exposure amounts which include IFRS9 transitional adjustments)

9.2 Credit risk exposure by type

Credit Risk Exposure 31 December 2020 (all numbers net of loan loss provisions)	Exposure Value 2020 £'000	Exposure Value 2019 £'000
Government and central banks		
Repayable on demand*	191,634	229,542
Marketable securities	38,044	-
Banks		
Repayable on demand	9,687	7,695
Derivatives	69	25
Loans and advances to customers**	827,473	760,733
Other	6,424	4,537
Off balance sheet exposures	132,439	129,877
Total Exposure	1,205,770	1,132,409

* Government and central bank exposures includes the Bank's cash ratio deposit of £672k
** Net of collateral deposits
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

9.3 Credit risk exposure – on and off-balance sheet reconciliation

The difference between the total credit risk exposures shown above of £1,205m and the total assets per the 2020 financial statements of £1,074m can be explained as follows;

31 December 2020	Exposure Value 2020 £'000	Exposure Value 2019 £'000
Total credit risk exposure (per table above)	1,205,770	1,132,409
Less:		
Off balance sheet customer loans and advances commitments*	(75,552)	(53,365)
Off balance sheet treasury bills**	(57,047)	(76,577)
Derivative potential future exposure add-on	(60)	(25)
Add:		
Collateral deposits adjustments to loans	1,067	834
Intangible assets deducted from capital	83	791
Total assets per balance sheet	**1,074,261**	**1,004,067**

* Gross of provisions for off-balance sheet commitments.
** Treasury bills relate to drawings under the Funding for Lending Scheme. The Bank has placed appropriate collateral with the Bank of England.
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

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

The following table breaks down the Bank's on-balance sheet 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. The risk-weighting category is prior to the application of the SME factor to qualifying exposures.

Standardised Approach - Exposure by asset classes and risk weights (template 20: EU CR5) 31 December 2020 £'000										
	Exposure class	Risk weighting							Total credit exposure	Of which unrated
		0%	20%	35%	50%	100%**	150%	250%		
1	Central governments and central banks	229,678							229,678	-
6	Institutions		9,687		69				9,756	-
7	Corporates					99,961			99,961	99,961
9	Secured by mortgages on immovable property			289,560		364,115			653,675	653,675
10	Exposures in default					15,491	1,094		16,584	16,584
11	Exposures associated with particularly high risk						28,173		28,173	28,173
	Securitisation Exposures	32,998				10,482			43,479	43,479
16	Other items*	522				5177		725	6,424	6,424
17	**Total**	**263,198**	**9,687**	**289,560**	**69**	**495,226**	**29,267**	**725**	**1,087,731**	**848,297**

*Principally fixed assets and deferred tax
**Weightings are before the application of the SME factors (0.7619 and 0.85)
- Exposures include both on and off-balance items after the application of off-balance sheet credit conversion factors
- Government and central bank exposures includes the Bank's cash ratio deposit of £672k
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

Standardised Approach - Exposures by asset classes and risk weights (Template 20: EU CR5) 31 December 2019 £'000									
	Exposure class	Risk weighting						Total credit exposure	Of which unrated
		0%	20%	35%	100%	150%	250%		
1	Central governments and central banks	229,542						229,542	-
6	Institutions		7,695					7,695	-
7	Corporates				104,639			104,639	104,639
9	Secured by mortgages on immovable property			274,460	315,456			589,916	589,916
10	Exposures in default				14,372	606		14,979	14,979
11	Exposures associated with particularly high risk					21,304		21,304	21,304
	Securitisation Exposures	32,738			10,732			43,470	43,470
16	Other items*				3,808		729	4,537	4,537
17	**Total**	**262,280**	**7,695**	**274,460**	**449,007**	**21,909**	**729**	**1,016,082**	**778,843**

*Principally fixed assets and deferred tax

9.4 Credit Risk on Sovereign and Institutions

The Bank's credit risk arises principally as a result of Nostro balances, 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	2020	2019
Cash and balances at central banks	190,962	228,972
Deposits at other banks		
- Rated* A or above	9,687	7,695

*Ratings based on Moody's long-term rating

The Bank uses two UK clearing banks with a Moody's credit ration of Single -A or above for deposits and clearing service. These banks are National Westminster Bank Plc and Barclays Bank Plc.

9.5 Credit risk on Loans and Advances

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

	2020		2019	
	£m	%	£m	%
Secured on property	772	92	707	94
Secured on other assets	69	8	62	6
Total	**841**	**100**	**769**	**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 2020. 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.

9.6 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	2020	2019
East Anglia	1%	1%
East Midlands	18%	20%
Greater London	3%	3%
North East	4%	4%
North West	21%	18%
Scotland	6%	6%
South East	8%	7%
South West	5%	7%
Wales	7%	7%
West Midlands	8%	8%
Yorkshire/Humberside	19%	19%
Total	**100%**	**100%**

9.7 Credit Quality – Past Due

CCB adopted IFRS 9 on 1st January 2018. 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:

<table>
<tr><th>Type of impairment assessment</th><th>Criteria for the Stage</th><th>Provisioning Basis</th><th>Exposure Class</th></tr>
<tr><td>Stage 1</td><td>• All performing loans which do not feature on the watchlist.
• Loans which have no arrears on them.</td><td>12 month expected loss</td><td rowspan="2">Immoveable property, Corporate or High risk</td></tr>
<tr><td>Stage 2</td><td>• The customer is at least 30 days in arrears and the arrears do not relate to administrative (e.g. incorrect standing order or direct debit) or system errors.
• The customer is in forbearance and does not meet the criteria to be classified as a stage 3 forborne exposure.
• The customer is on the Bank's watchlist.
• The loan has been restructured due to arrears.
• The underlying loan collateral is located in a particular region or sector deemed to be of higher risk by the Credit Committee where appropriate.
• Any other significant decline in credit quality identified by the Bank.</td><td>Lifetime Expected Credit Losses</td></tr>
<tr><td>Stage 3</td><td>• The account is over 90 days past due.
• The customer has been declared bankrupt.
• The company has been wound up or a liquidator/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.
• The account is in forbearance and the forbearance arrangement is considered to be 'significant'.</td><td>Lifetime loss</td><td>High Risk Past Due</td></tr>
</table>

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	2020	2019
Neither past due nor impaired	802,726	733,179
Past due but not impaired:		
Up to 3 payments missed	5,533	9,326
Impaired	32,572	27,178
Total	**840,831**	**769,684**
Less allowances for impairment losses	(12,451)	(8,181)
Total loans and advances to customers	**828,380**	**761,503**

This table is produced on an accounting balance basis and exposures include accrued interest and effective interest rate adjustments. All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

Impairment provisions against customer loans and advances at 31 December 2020 have been made up as follows:

Impairment provision movement £'000	Stage 1: subject to 12- month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Closing Balance at 31 December 2020	3,332	4,867	4,252	12,451
Opening Balance at 1 January 2020	3,423	1,303	3,455	8,181
Increase (decrease) in provision	**(91)**	**3,564**	**797**	**4,270**
Increase (decrease) in provision				
New loans originated	1,231	279	-	1,510
Derecognised loans	(356)	(57)	(409)	(822)
Loan commitments	95	-	-	95
Allowance utilised in respect of write offs	(56)	(18)	(1,464)	(1,538)
Transfers between Stages and increase in credit risk				
- Transfers from Stage 1	(1,084)	1,075	9	-
- Transfers from Stage 2	25	(480)	455	-
- Transfers from Stage 3	-	94	(94)	-
- Increase in credit risk	54	2,671	2,300	5,025
	(91)	**3,564**	**797**	**4,270**
P&L charge				
Increase (decrease) in provision	(91)	3,564	797	4,270
Write Offs	72	108	1,542	1,722
Income Adjustment*			(176)	(176)
Non customer lending related post write-off recoveries			(3)	(3)
Total P&L impairment charge	**(19)**	**3,672**	**2,160**	**5,813**

* 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 £176k.

- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

All of the Bank's customer loans and advances are UK based. The majority of loans and advances to customers (92%) of the Bank's lending are secured on property.

Lending by product and type %	2020	2019
Real estate lending		
Residential	35%	37%
Owner Occupied	53%	52%
Commercial	4%	3%
Other	3%	2%
Total Lending on Property	**95%**	**94%**
Asset finance	5%	6%
Total	**100%**	**100%**

9.8 Counterparty Credit Risk

CCB has exposure to counterparty credit risk through interest rate derivatives. As per section 9.4 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. Capital requirements for counterparty credit risk are calculated using the mark to market method.

The Bank has interest rate derivatives with a nominal value of £23m at 31 December 2020 (2019: £5m). The net fair value of these swaps totalled £9k at 31 December 2020 (2019: -£31k). 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	2020	2019
Derivatives held for risk management purposes	9	(31)

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).

9.9 Counterparty Credit Risk exposures by regulatory portfolio and risk weights

Counterparty Credit Risk exposures by regulatory portfolio and risk weights (template 28: EU CCR3)
31 December 2020 £'000

	Exposure Class	Risk Weight				Total	Of which unrated
		0%	20%	50%	100%		
1	Central government or central banks	286,725				286,725	-
6	Institutions		9,687	69		9,756	-
11	**Total**	**286,725**	**9,687**	**69**		**296,481**	**-**

Government and central bank exposures includes the Bank's cash ratio deposit of £672k and off-balance sheet T-Bills
Institutions includes derivatives and PFE but excludes CVA.

9.10 Securitisation Risk: Enable Guarantee

In June 2019, the Bank executed an Enable Guarantee with the British Business Bank. The British Business Bank is an economic development bank established by the UK Government. Its objective is to promote the development and growth of small and medium size enterprises by facilitating lending to this sector. The Enable Guarantee provides unfunded credit protection for loans covered by the guarantee within the Bank's SME portfolio. The effect of the guarantee is to reduce the risk weighted assets on the guaranteed element of the loan. The Bank remains exposed to the unguaranteed portion and to a 'first loss' element of the guaranteed portion. This latter exposure constitutes a synthetic securitisation position under the CRR. The funding of the lending to SMEs is facilitated by the greater capital efficiency.

The pool of guaranteed loans is originated by the Bank and meet certain criteria including: the risk profile, loan size, purpose of the loan and nature of the borrower and is subject to size and sector limits. Further loans may be added to the pool up to a maximum amount of £50m. Newly originated, newly qualifying or further drawdowns on existing pool loans can be added, providing loan limits are adhered to, until June 2021 or until a loan defaults. The guarantee will continue for those loans already covered, until they have been repaid. The guarantee can be terminated via a clean-up call, once the aggregate value of the remaining facilities falls below 10% of the maximum facility limit. At year end, the total pool exposure was £44.0m (2019: £43.7m). No loans covered by the guarantee were impaired and no losses were recognised in respect of these loans. The loans within the pool are managed and monitored in the same way as the overall portfolio, and should a loan default, would be subject to the same collections and recovery processes.

The UK Government guarantee the Enable guarantee, resulting in a 0% risk weighting (Article 114(4) of the CRR) which is applied to the guaranteed portion of each loan. The unguaranteed exposure is risk-weighted under the standardised approach under CRR, based on the particular exposure class. The synthetic securitisation position is deducted from Own Funds (Article 36(1)k and 245(1)b of the CRR. The deduction at the year-end was £1.7m. The pool loan exposure remains on balance sheet, whilst the accounting for the guarantee protection is off balance sheet. The fees associated with the guarantee are reported as operating expenses within the income statement.

9.11 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.

9.12 Operational Risk Capital

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	2018	2019	2020
Net interest income	44,425	42,908	38,112
Other income	310	50	30
Relevant indicator	44,735	42,958	38,142
3 year average			41,945
Basic indicator approach percentage			15%
Operational risk capital requirement			6,292

The Bank's operational risk capital requirement at 31 December 2020 was £6.3m (based on the average total income for 2018-2020 multiplied by the basic indicator approach percentage of 15%).

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 2020, the Bank had encumbered assets under the British Business Bank Enable Guarantee.

The Bank is a participant in the Bank of England Funding for Lending Scheme (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 2020 the Bank had drawn £57m (2019: £77m) of Treasury bills under FLS. These Treasury bills are held off balance sheet and as at 31 December 2020, they had not been monetised. Under this scheme, the assets are reported as encumbered.

Additionally, the Bank has pre-positioned assets available for use in BoE Sterling Monetary Framework (SMF) schemes such as Discount Window Facility (DWF). These assets are not encumbered until they are drawn upon.

The Bank has not been required to post any collateral in respect of its interest rate derivatives.

The following tables show the appropriate disclosures in respect of the Bank's encumbered and unencumbered assets during 2020. The tables show the median balance sheet values for the past 12 months basis as prescribed in the regulatory requirements.

10.1.1 Template A - Overview of encumbered and unencumbered assets

The values in this report are based on medians of the quarter end exposures. The encumbered assets represent assets encumbered under the British Business Bank Enable guarantee and assets encumbered (but not monetised) under the Funding for Lending Scheme.

Template A 2020 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	-	-		-	860,265	202,889		
030	Equity instruments	-	-		-	-	-		
040	Debt securities	-	-	-	-	27,759	-	-	-
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-		27,759			
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	165,069	97,711			832,506	202,889		
121	of which: Central bank Reserve Account	-	-		-	202,889	202,889		
122	of which: Deposits at other Banks	-	-		-	14,185			
123	of which: Loans and advances to Customers	165,069	97,711			627,573			

10.1.2 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 2020 as CCB did not have any monetised encumbered assets during the period.

2020 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	-	-

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

2020 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	-	-

11 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 2020. CCB comfortably exceeds the regulatory minimum for the LCR ratio.

LCR Ratio		
LCR regulatory minimum	31 December 2020	31 December 2019
100%	419%	463%

The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days. The LCR is calculated by dividing the banks liquidity buffer (HQLA) by the net liquidity outflows over a 30 day stress period. Banks are required to maintain an LCR of at least 100%.

HQLA are cash or unencumbered assets that can be converted into cash quickly with no significant loss of value. The Bank's HQLAs, managed by its Treasury function, predominately comprise reserves held at the Bank of England (2020: £191m, 2019: £229m) and off-balance sheet T-bills drawn through the Bank of England's Funding for Lending Scheme totalling £57m (2019: £77m).

The Bank has maintained high levels of liquidity throughout 2020 in order to manage any uncertainty surrounding market sentiment relating to Brexit and the COVID 19 pandemic, and to provide the balances which will enable it to continue unwinding the Funding for Lending Scheme facility, avoiding the need to compete in the market at a time when rates may become inflated.

There is limited exposure to on-balance sheet exposure to derivatives (£9k) (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 does not have exposure to foreign currency risk at the 31 December 2020 and does not offer any foreign currency denominated accounts.

The Bank's liquidity coverage ratio (LCR) calculation for Q4 2020 is summarised below:

Quarter ending: £m		Q4 2020	Q4 2019
21	Liquidity Buffer – HQLA	284.1	297.1
22	Total Net Cash Outflows	67.8	64.2
23	Liquidity Coverage Ratio (%)	419.0%	462.8%

12 Additional Disclosures

12.1 Reconciliation of Accounting and Regulatory Differences

12.1.1 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 2020 £'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	190,962	190,962	190,962		
Loans and advances to banks	9,687	9,687	9,687		
Debt securities	38,044	38,044	38,044		
Derivatives	9			9	
Loans and advances to customers*	828,380	828,380	828,380		
Other assets and prepayments	2,678	2,678	2,678		
Property, plant and equipment	2,934	2,934	2,934		
Intangible assets	1,567	1,567	1,484		83
Total assets*	**1,074,261**	**1,074,252**	**1,074,169**	**9**	**83**
Customers' accounts	917,215	917,215	-	-	917,215
Derivative financial liabilities	-	-	-	-	-
Other liabilities and accruals	6,911	6,911	-	-	6,911
Total liabilities	**924,126**	**924,126**	**-**	**-**	**924,126**

*Net of specific provisions
Government and central bank exposures excludes the Bank's cash ratio deposit of £672k
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.

12.1.2 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 2020 £'000		A Total	Items subject to	
			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*	1,074,178	1,074,178	-
2	Liabilities carrying value amount under the regulatory scope of consolidation	(1,067)	(1,067)	-
3	Total net amount under the regulatory scope of consolidation	1,073,111	1,073,111	-
4	Off balance sheet amounts**	132,599	132,599	-
9	PFE – derivatives	60	-	60
10	**Exposure amount considered for regulatory purposes**	**1,205,770**	**1,205,710**	**60**

- The Bank has no assets subject to Market risk or securitisation frameworks. All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief.

* Net of on balance sheet loan provisions
**Excludes on-balance sheet provisions for off-balance sheet commitments' 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 interest 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.

12.1.3 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 2020 £'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	286,725	296,614
21	Institutions	9,756	19,055
22	Corporates	107,346	112,141
23	Of which: SMEs	90,060	98,486
26	Secured by mortgages on immovable property	707,436	657,958
27	Of which: SMEs	707,436	655,554
28	Exposures in default	16,524	18,873
29	Items associated with particularly high risk	29,147	26,803
34	Other Exposures	6,424	5,079
34	Securitisation	10,601	11,040
35	**Total standardised approach**	**1,173,959**	**1,147,563**
36	**Total**	**1,173,959**	**1,147,563**

The above table includes off-balance sheet exposures in respect of the Bank's FLS T-Bills, lending commitments which give rise to a credit risk exposure and takes into account the collateral, and the benefit of the BBB enable guarantee. The value of the PFE on the Bank's derivative portfolio which is held on the asset side of the balance sheet is also included. Government and central bank exposures includes the Bank's cash ratio deposit of £672k. All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief.

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

12.2 Geographical Breakdown and Concentration by Industry and Counterparty

12.2.1 EU CRB-C - Geographical Breakdown of Exposures

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

12.2.2 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 after application of collateral.

Concentration of exposures by industry or counterparty type (template 9 EU CRB-D)

31 December 2020 £'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	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	Public administration and defence,	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
13	Corporates	408	204	1,874	-	8,934	4,386	7,085	5,267	519	35	30,249	2,383	19,907	-	72	12	1,928	17,072	100,335
15	Secured by mortgages on immovable property	5,055	-	2,925	-	6,181	1,438	4,908	2,503	6,663	659	658,057	5,237	2,944	-	385	8,335	-	2,146	707,436
16	Exposures in default	-	-	-	-	-	32	3	-	523	-	15,634	128	265	-	-	-	-	-	16,585
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	29,147	-	-	-	-	-	-	-	29,147
23	Total standardised approach	5,463	204	4,799	-	15,115	5,856	11,996	7,770	7,705	694	733,087	7,748	23,116	-	457	8,347	1,928	19,218	853,503
	Securitisation	997	-	764	-	980	-	1,667	-	2,023	-	32,831	1,710	-	-	498	2,217	-	-	43,687
24	Total	6,460	204	5,563	-	16,095	5,856	13,663	7,770	9,728	694	765,918	9,458	23,116	-	955	10,564	1,928	19,218	897,190

Excludes off balance sheet loan commitments with a 0% Credit Conversion Factor

12.3 Maturity and Credit Quality

12.3.1 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 2020 £'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	229,678				229,678	229,678
12	Institutions	9,687	3	6	-	9,687	9,696
13	Corporates		7,203	52,468	40,116		99,787
15	Secured by mortgages on immovable property		60,162	89,857	489,726		639,745
16	Exposures in default		524	1,380	14,680		16,584
17	Items associated with particularly high risk		21,814	6,063	-		27,877
	Securitisation		-	-	43,479		43,479
22	Other exposures		5699		725		6,424
23	**Total standardised approach**	**239,365**	**95,402**	**149,777**	**588,726**	**239,365**	**1,073,270**

The table above excludes intangible assets (except allowable software) and on-balance sheet loan loss provisions relating to off-balance sheet loan commitments. Exposures are net of collateralised deposits. Government and central bank exposures includes the Bank's cash ratio deposit of £672k. All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief.

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.

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

Credit quality of exposures by exposure class and instrument types (template 11 EU CR1) 31 December 2020 £'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 of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
20	Central governments or central banks		286,755	31			31	286,724
21	Institutions	-	9,696	-				9,696
22	Corporates	-	111,390	4,044		192	1,671	107,346
23	Of which: SMEs	-	95,082	3,917		192	1,559	90,060
26	Secured by mortgages on immovable property	-	711,029	3,592			1,555	707,436
27	Of which: SMEs	-	711,029	3,592			1,555	707,436
28	Exposures in default	19,046		2,522		1,530	(428)	16,524
29	Items associated with particularly high risk	13,182	17,947	1,982			1,343	29,147
	Securitisation Exposures	345	43,444	310			129	43,479
34	Other exposures		6,424	-		-		6.424
35	Total standardised approach	**32,572**	**1,186,686**	**12,482**	**-**	**1,722**	**4,301**	**1,206,777**
36	Total	**32,572**	**1,186,686**	**12,482**	**-**	**1,722**	**4,301**	**1,206,777**

This table includes off balance sheet exposures (excluding PFE).
Government and central bank exposures includes the Bank's cash ratio deposit of £672k.
The effect of collateral is not netted off exposures in this table.
Write-offs are net of post-write off recoveries. Counterparty credit risk is covered in further tables in section 9.8, 9.9 and 12.6.

12.3.3 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 2020 £'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	-	6,495	36	-	-	12	6,460
2	Mining and quarrying		204	-	-	-	(1)	204
3	Manufacturing	-	5,613	50	-	-	7	5,563
4	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-
5	Water supply	-	16,158	63	-	-	23	16,095
6	Construction	31	5,918	94	-	500	(337)	5,855
7	Wholesale and retail trade	173	13,801	312	-	19	179	13,663
8	Transport and storage	-	7,837	67	-	16	50	7,770
9	Accommodation and food service activities	919	9,164	356	-	-	227	9,728
10	Information and communication	-	697	2	-	-	-	694
11	Real estate activities	30,943	745,713	10,739	-	408	4,328	765,918
12	Professional, scientific and technical activities	217	9,452	212	-	-	86	9,458
13	Administrative and support service activities	-	23,517	330	-	723	(440)	23,116
14	Public administration and defence compulsory social security	-	-	-	-	-	-	-
15	Education	-	964	8	-	-	7	955
16	Human health services and social work activities	-	10,595	31	-	-	23	10,564
17	Arts, entertainment and recreation	-	1,937	9	-	-	3	1,928
18	Other services	-	19,362	143	-	56	104	19,218
19	Total	32,572	877,067	12,451	-	1,722	4,271	897,190

Excludes 0% off balance sheet Credit Conversion Factor loan commitments

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

Credit Quality of Exposures by geography (template 13 EU CR1-C)
31 December 2020 £'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	UK/Total	32,572	1,186,686	12,482		1,722	4301	1,206,777

All exposures are based in the UK. (includes 0% off balance sheet Credit conversion loan commitments)

12.4 Aging, Non-performing and Forborne Exposures

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

Ageing of past-due exposures (template 14 EU CR1-D) 31 December 2020 £'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	5,692	23	4,984	3,871	1,980	5,351	21,901
2	Debt Securities	-	-	-	-	-	-	-
3	Total exposures	5,692	23	4,984	3,871	1,980	5,351	21,901

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

Non-performing and forborne exposures (template 15 EU CR1-E) 31 December 2020 £'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, 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 perform -ing 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	38,075	-	-	-	-	-	-	31	-	-	-	-	-
020	Loans and advances	840,831	388	25,267	32,572	32,572	32,572	11,545	8,039	2,175	4,252	1,317	-	
030	Off-balance-sheet exposure	68,808	-	-	-	-	-	-	160	-	-	-	-	-

Accumulated provision reflects the specific provisions.

12.4.3 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 2020 £'000		A	B
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening Balance**	8,181	
2	Increases due to amounts set aside for estimated loan losses during the period	7,530	
3	Decreases due to amounts reversed for estimated loan losses during the period	(1,538)	
4	Decreases due to amounts taken against accumulated credit risk adjustments	(1,722)	-
9	**Closing balance**	12,451	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	3	-

12.4.4 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 2020 £'000		
		Gross carrying value defaulted exposures
1	**Opening balance Defaulted loans and debt securities at 1 January 2020 under IFRS 9**	27,032
2	Loans and debt securities that have defaulted since 31 December 2019	13,187
3	Returned to non-defaulted status	(1,908)
4	Amounts written off	(5,357)
5	Other charges	(382)
6	**Closing balance Defaulted loans and debt securities at 31 December 2020**	32,572

12.5 Credit Risk Mitigation

12.5.1 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 exposures secured by financial guarantees represents loans included within the British Business bank Enable Guarantee. The Bank does not use credit derivatives.

Credit risk mitigation techniques overview (template 18 EU CR3) 31 December 2020 £'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*	207,754	828,540	784,853	43,444	-
2	Total Debt Securities	38,044			-	-
3	**Total exposure**	**245,798**	**828,540**	**784,853**	**43,687**	**-**
4	Of which defaulted	-	32,572	32,572	345	-

* Total loans includes other assets, such as prepayments and other debtors (excludes Intangibles deducted from Capital) Total loans also excludes on balance sheet provisions for off balance sheet loan commitments

12.5.2 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 2020 £'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	229,709	57,047	229,678	-	-	0%
6	Institutions	9,696	60	9,696	60	1,971	20%
7	Corporates	103,788	7,265	101,311	176	83,275	82%
9	Secured by mortgages on immovable property	644,225	67,140	641,122	13,942	389,3366	61%
10	Exposures in default	19,046	-	17,537	-	18,136	103%
11	Exposures associated with a particularly high risk	29,983	1,147	28,641	296	43,405	152%
	Securitisation	43,789		10,601		8,161	77%
16	Other items*	6,424	-	6,424	-	6,780	106%
17	**Total**	**1,086,660**	**132,659**	**1,045,010**	**14,474**	**551,064**	**53%**

*Other assets include fixed assets.
** exclude the impact of IFRS9 transitional relief.
# Include the impacts of IFRS9 transitional relief
include the effects of credit conversion factors
- This table includes both on and off-balance sheet exposures. All balances are consistent with the Banks statutory accounts
- Government and central bank exposures includes the Bank's cash ratio deposit of £672k

12.6 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.

12.6.1 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 2020 £'000		A	B	C	D	E	F	G
		Notional	Replace-ment cost/ current market value	Potential future credit exposure	EEPE	Multi-plier	EAD post CRM	RWAs
1	Mark to market		9	60			69	34
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**							34

12.6.2 Template 26: EU CCR2 – CVA capital charge

Credit Valuation Adjustment (CVA) Charge (template 26 EU CCR2) 31 December 2020 £'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	60	16
EU4	Based on original exposure method		
5	**Total subject to the CVA capital charge**	60	16

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

12.6.3 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).

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

Please see section 9.9 for this table,

12.6.5 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 2020 £'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	69		69		69
4	Total	**69**		**69**		**69**

12.6.6 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 2020 £'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	-	-	-	-	-	-