unity trust bank

report and accounts 2019

Unity Trust Bank plc

Registered Head Office and Customer Services Centre

Four Brindleyplace
Birmingham
B1 2JB

Tel: 0345 140 1000
Fax: 0345 113 0003

Unity Trust Bank plc is a public company limited by shares
Registered in England and Wales
No. 1713124

Financial Services Register No. 204570

President

Dave Prentis

Board of Directors

Alan Hughes (Chairman)
Margaret Willis (Chief Executive Officer)
Sandy Chen (Independent Non-Executive Director)
Jim Gunner (Independent Non-Executive Director)
Susan Sternglass Noble (Independent Non-Executive Director)
Allan Wylie (Non-Executive Director)

Company Secretary

Kate Eldridge

Executive Management

Margaret Willis, Chief Executive Officer
Ian Alderton, Chief Information Officer
Martin Coward, Chief Risk Officer
Nikki Fenton, Chief Financial Officer
Lindsey Podolanski, Chief Operating Officer
Julia Tarpey, Director, Human Resources

Auditor

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
B1 2HZ
United Kingdom

Contents

The Chairman's Statement	**4**
Strategic Report	**5**
Key Performance Indicators	**9**
Report of the Directors	**10**
Independent Auditor's Report	**12**
Income Statement	**19**
Statement of Comprehensive Income	**20**
Statement of Financial Position	**21**
Statement of Changes in Equity	**22**
Statement of Cash Flows	**23**
Notes to the Financial Statements	**24**
Glossary	**51**

The Chairman's Statement

Purpose

Unity Trust Bank was founded by trade unions on a philosophy of serving the common good. For 35 years the Bank has pursued balanced, fair and sustainable returns for shareholders, customers, society and staff. Our goal is safe growth for all of these.

Performance

In 2019 your bank's pre-tax profits rose by 34% to a healthy £9.1 million. This is a record for Unity. Our lending, all of it to firms and organisations that deliver social benefits, increased by 31% to £478 million at the year end which is also a record for Unity. We also delivered our highest annual level of net new lending, £115 million in the year, driving increased benefit to society. We are particularly proud of this; we hope you are too.

On a net asset value basis, each share's book value rose from £3.36 to £3.80. The performance trend over the last four years is in the Strategic Report on page 5 of this Report. (Four years ago our shares' net asset value was £2.94).

Strength

Our pursuit of safe-growth and sustainability in all things is reflected in our capital strength. The rate of return on shareholders' equity rose to 9.9% for the year. This enables Unity to invest further in loans delivering societal benefit and to maintain strong capital ratios, better ones than most household-name banks.

The regulator's core measure of the ratio of our 'Common Equity Tier 1' to our risk-weighted assets was 17.6%, well above regulators' requirements. Regulators have been increasing the capital cover they require of banks and are expected to do so again in 2020. Unity expects to continue to hold capital in excess of these requirements. Unity's Defined Benefit Pension Scheme continues to be in surplus too.

Unity is 100% funded by customer deposits. Customers have entrusted Unity with over £1 billion in their current accounts and savings and these balances continue to grow.

Dividend

At the AGM, we will recommend increasing your dividend by 18% to 5p per share (4.25p in 2018). We intend to facilitate periodic share-dealing for shareholders, the first to take place shortly after the 2020 AGM.

Customers

Unity offers a person to person service, supplemented by the convenience of telephone and digital tools. It's pleasing that customer satisfaction rose overall in 2019 to 82%, despite the introduction of stronger digital security, changes that can be an irritant at first.

Society & climate

The loans advanced in 2019 supported over 670 jobs directly, created or renovated over 1,180 bed spaces and supported new community facilities and affordable housing. Our Social Impact Report, also published today, has the details.

Unity is represented on the committee of 'Banking a Just Transition', based on the Paris Agreement on climate change. This is a project to identify how finance providers can help a shift to a zero-carbon economy in a way that meets the needs of workers and communities.

People

Employee engagement is measured by the independent Banking Standards Board; in 2019 Unity was in the top 25% of participating banks in seven out of nine areas. Unity is a 'real living wage' employer. We pay a profit share as a flat percentage to all eligible employees. This will be 7% of base pay for 2019 (2018: 7%).

At the 2018 AGM shareholders approved our desire for employees to be rewarded for the value they create, as well as the work they do; to align the interests of employees and shareholders over the long-term. Expanded employee ownership schemes will commence in 2020.

During the year Dave Prentis stepped down as non-executive director and remains in the role of President. The Directors and I are grateful for his long service to the Bank and are pleased to retain his continued wise counsel.

Outlook

We continue to live in uncertain times. The unknowns include: what to expect from the new UK government; the terms of Brexit; global instability in trading relations; the impact of COVID-19 and the impact on monetary policy of interest rates at the lower bound. Against this background of uncertainty Unity will concentrate on safe-growth in activities that benefit society, locally and nationally and maintenance of its capital strength.

Thank you

The Directors and I would like to recognise, thank and congratulate all Unity's people for their hard work and expertise that contributed to the excellent 2019 results. We thank our customers for their continued support, particularly during operational changes; and our shareholders for their unwavering support.

It is a great pleasure to be able to report these excellent results to you. Shareholders and employees can be justly proud of Unity.

Alan Hughes
Chairman, 6th March 2020

Strategic Report

Unity has a 'double bottom line' strategy of sustainable financial returns and positive social impact. We provide banking services to business customers and meet the borrowing needs of creditworthy organisations who deliver social value.

Our strong customer satisfaction scores reflect our personal service and specialist sector knowledge. We aim to be the bank of choice for businesses and organisations who seek to benefit society.

We have increased our investment in technology to provide improved customer services, ease of use and greater operational resilience.

Unity's strategy is to:

- provide excellent customer service;
- accrete capital to support growth;
- distribute dividends;
- develop employees and enhance our operations;
- positively impact society and the environment.

Financial performance

This year's results are a record and represent the successful achievement of Unity's 2016-2019 strategic growth plan and a compound annual growth rate of 26%. This growth was vital in building today's strong and resilient bank.

The primary drivers of the 2019 performance are:

Income
Net interest income for 2019 was £19.3m (2018: £15.6m) with loan income rising 34%, reflecting the growth in the loan book. Total loans and advances to customers at the end of the year were £477.6m (2018: £362.4m). Loans and advances originated during the year totalled £169.4m, up 34% (2018: £125.8m).

Interest on investments remained stable at £6.3m (2018: £5.6m).

Net fee and commission income for the year totalled £3.3m (2018: £2.8m) reflecting the increased number of customers.

Operating expenses
Total operating expenses for the year were £13.3m (2018: £11.7m), a rise of 13.7%, reflecting planned investment and having been broadly flat for the previous three years.

Average employee numbers increased by 22% as we strengthened and broadened capability, including the appointment of a Chief Information Officer. The employee profit share increased to £0.4m (2018: £0.3m).

During the year we introduced a wellbeing allowance and expanded our salary sacrifice scheme to include defined contribution ('DC') pension payments. The Bank is committed to increasing employee ownership through the Unity Employee Share Plan.

Operating expenses in 2019 include £0.8m relating to IT development costs which included the Payment Services Directive 2 ("PSD2") regulation. In 2018, the Bank incurred exceptional costs relating to its exit from the Pace Defined Benefit ('DB') pension scheme amounting to £1.0m.

Unity seeks to pay all suppliers within 30 days. In 2019 60% of invoices were paid within a fortnight of the invoice date and 77% within three weeks. On average, invoices were paid in 20.5 days and we continue to work with suppliers and adopt technologies which will help reduce this further.

Our cost income ratio for the year, including all expenses, improved to 58.8% (2018: 63.6%).

Impairment
The Bank's lending quality has remained high with 97% classified within stage 1 risk grades under IFRS 9 (2018: 98%). The Bank's impairment modelling approach is based on the underlying loan credit assessment and continues to result in low levels of impairment charges in the Bank's book.

Leasehold property
We have adopted a new accounting standard "IFRS 16 Leases" which impacts the treatment for lease arrangements. In January 2019 Unity moved to new premises in BrindleyPlace. As at 31 December 2019, this 10-year contract is treated as a lease, resulting in the recognition of a 'right of use' asset of £2.6m, a lease liability of £2.4m, interest expense of £0.1m and depreciation of £0.3m.

In 2018, rent was charged within operating expenses and no asset was recorded. Due to the transition method applied, the comparative year has not been restated and therefore may not provide a like for like comparison.

Capital

Unity ended the year with a Core Equity Tier 1 (CET1) ratio of 17.6% (2018: 19.3%), ahead of regulatory minima.

As at 31 December 2019 the Bank's Defined Benefit pension scheme surplus was £6.7m (2018: £4.0m) which is recognised in the Statement of Financial Position. This surplus, net of deferred tax, is excluded from risk weighted assets and from capital resources when calculating regulatory capital.

On adoption of IFRS 16, the asset recognised for the leasehold offices was allocated a 100% risk weighting for regulatory capital purposes, negatively impacting the CET1 ratio by 10bps.

Liquidity

Unity's lending activities continue to be 100% funded by customer deposits and own resources. Unity recognises that it benefits from a stable, growing customer deposit base. Customer deposit balances at the year-end were £1,030m (2018: £998m). The loan to deposit ratio increased to 46% (2018: 36%).

Outlook

The economic outlook for 2020 continues to be uncertain. Some external factors are outside our control, including changes in the BoE base rate. Our focus in 2020 and beyond is on careful cost management, maintaining high customer satisfaction and new customer attraction.

Our investment programme will support new digital services and a broadened product offering, whilst maintaining a personal service through our call centre and relationship managers supported by our digital channels. We will continue to explore partnerships where there is an opportunity to provide customers with value-added propositions.

Directors duties

The directors have a duty to promote the success of the company for the benefit of its members whilst having regard to the following (s172(1)) requirements:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct;
f) the need to act fairly as between members;

The directors are committed to the long-term success of Unity and its founding principles. All strategic decisions consider the interests of our key stakeholders: shareholders, customers, employees and the broader society.

In 2019, the strategic direction overseen by directors has included continued 'safe growth', establishing a framework of employee share schemes and increasing the Bank's investment in technology.

Unity is a member of the Employee Ownership Association. The Board recommended to shareholders at the 2019 AGM to waive pre-emption rights for up to 600,000 new shares, to facilitate implementation of the employee share schemes. This recommendation balanced the expected benefits against the dilutionary impact for existing shareholders.

The Bank has entered into a medium-term programme of investment in technology, to enhance functionality and align to regulatory requirements. The directors supported this decision as part of the Bank's strategy to deliver a broader customer led proposition.

All shareholders are encouraged to attend the AGM and share their views with directors and senior management. Currently, Unity has two shareholder directors. Customer feedback is received through satisfaction surveys, sector workshops and directly through the call centre and relationship managers.

Supplier payment days are discussed in the Operating Expenses section above.

As referenced in the Chairman's statement we monitor employee engagement through the BSB survey. Unity has a variety of employee engagement mechanisms including monthly huddles, CEO focus groups and an 'all-hands' roadshow.

Financial risks of climate change

The Intergovernmental Panel on Climate Change (IPCC) report of October 2018, warned that there is less than a decade for global warming to be kept to a maximum of 1.5°C, beyond which the risks of extreme weather events and harm for millions of people will significantly worsen.

Financial risks from climate change are viewed as arising through two primary channels: physical and transitional. Physical risks include changes in weather events and rising sea levels, transitional risks focus on the adjustment towards a low carbon economy. Unity may be exposed, for example, to flood risk on property collateral held and its impacts on its own or suppliers' operational resilience.

Unity does not fund the major carbon-emitting industries, for example, coal-fired power stations, mining businesses or businesses that burn toxic waste, but our customers may be impacted by transitional risk through their supply chains and distribution networks.

We will increase our efforts to attract businesses that actively target low carbon emissions or embrace the principles of the circular economy which may include renewable energy producers or community heating and energy schemes.

Principal risks and uncertainties

Unity has an established risk management framework which provides a structured and consistent approach to anticipating, identifying, assessing and responding to risks.

The key identified risks, many of which are inherent in all banking businesses, are mitigated and managed through the risk control framework. Further information on risk management and the governance structure of the Bank can be found in the Pillar 3 disclosures on Unity's website.

The Board of Unity sets clear risk appetite statements and the business is managed within this framework. The Bank operates a 'three lines of defence' risk management model whereby:

- The first line of defence sits within the business and seeks to manage the policies, processes and controls.
- The second line Risk team undertakes oversight and testing of first line risk control.
- The third line is the independent internal audit function which is outsourced. The annual internal audit plan covers the major risks impacting the business on a rolling basis.

Risk	Mitigation
Credit Risk is the risk that counterparties will be unable or unwilling to meet their contractual commitments with the Bank, as well as supplier health and resilience.	The Bank has an experienced credit underwriting team which reviews all applications against the Board approved lending and sector policies. In accordance with set mandates, the largest loans require endorsement by Board Risk Committee (BRC). The UK's departure from the European Union (Brexit), and impacts after the transition period, are subject to regular and ongoing assessment, including the potential direct and indirect impacts on its business, our customers and suppliers. Treasury investments are completed and monitored in line with the Board approved Treasury policy, which includes strict rules on the quality of counterparties, reviewed through ALCO. The second line risk function regularly oversee both credit and investment decisions to ensure appropriate approval decisions, together with risk aware monitoring and control of existing exposures. Ad hoc portfolio and sector reviews can lead to refinements to Credit Risk and Treasury policies.
Market Risk is the risk that changes in market rates negatively impact the earnings or market value of the Bank's assets and liabilities.	Market risk arises from the effect of changes in market prices of financial instruments and the income / expense derived from the structure of the balance sheet. The majority of the risk arises from changes in interest rates as the Bank does not have any foreign exchange exposure. Interest rate risk is monitored regularly and reported on a monthly basis as part of Asset and Liability Committee (ALCO) responsibilities. Market risks and economic indicators are considered at Board and Executive Committees. Stress testing for interest rate risk is performed monthly and reviewed regularly.
Operational Risk is the risk that failures in the Bank's operational processes, including technology, cyber, or external events which cause monetary loss, service disruption or customer detriment.	The Bank's operational risk is monitored through its risk management framework. A system of controls, inherent risk and current and emerging risk logs, as well as risk event and near miss reporting is in place to monitor and assess the Bank's operational resilience. These risks are considered and reviewed at both Executive and Board Committees. Work continues to analyse the Bank's tolerances to disruption of key customer services. This will help inform both our risk appetites and risk management framework. The Board considers cyber risk to be an important facet of operational resilience and has approved a formal cyber security strategy. As the Bank accelerates implementation of its IT investment programme, it will continue to engage appropriate independent validation and assurance.

Strategic Report continued

Risk	Mitigation
Liquidity and Funding Risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet its commitments as and when they fall due.	The Bank considers liquidity risk at Board Risk and Executive Committees, whilst working within the Individual Liquidity Adequacy Assessment Process (ILAAP) which is discussed at ALCO and BRC and approved by Board on an annual basis. Stress testing is reviewed regularly in line with Bank of England guidance. The Treasury team manages liquidity on a day-to-day basis, with oversight from the second line risk team. The Bank continues to benefit from a strong liquidity position due to the nature of its customer base.
Strategic Risk, including capital risk, is the risk that the Bank fails to execute its strategic plan or fails to execute elements of its strategic plan effectively due to poor planning or changes in the economic environment.	The impact of Brexit is difficult to predict but might include: stresses applied to customers' probability of default and market value of security; extending the time and costs to realise security to reflect a market-wide stress; a general downgrade of bank bonds and currency devaluation driving up interest rates and impacting industry margins and customer affordability. These elements are already incorporated into Unity's ICAAP stress testing. The Bank completes capital and liquidity stress testing as part of its ongoing risk management processes. The Executive team monitors financial performance trends on a weekly basis and monthly actual and forecast management information is discussed at both Executive and Board levels. The risk that the Bank will not have sufficient capital to fund its growth strategy is closely monitored at ALCO, BRC and by the Board.
Conduct Risk is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales and marketing processes, poor customer service or operational delivery.	The Bank is committed to working with its customers and service providers to ensure that its products are simple, fair and transparent. Complaints are monitored along with a broad range of other conduct risk metrics at Executive and Board Committees on a monthly basis. New product governance is overseen and monitored by a Conduct Risk and Compliance Committee and the Executive team.
Regulatory Risk is the risk that the Bank does not comply with changes in the regulatory environment.	The Bank's Compliance team monitors regulatory change and compliance, with forward looking horizon scanning, reporting to the Executive and BRC as appropriate.
Pension Risk is the risk to the Bank's capital and company funds from the Bank's exposure to its defined benefit pension scheme. The Bank also contributes to a Defined Contribution scheme.	The Bank has its own Unity Trust Bank Pension Trustee Ltd trustee group to manage the defined benefit scheme. At 31 December 2019, the scheme had a significant accounting surplus. A triennial valuation was completed as at 31 December 2018 and the funding surplus means that no contributions are currently required. Fluctuations in actuarial assumptions are monitored regularly. Future valuations will drive the future funding requirements.

Strategic report continued - Key Performance Indicators (KPIs)

The following KPIs compare the 2019 full year results against full year 2018, 2017, 2016 and 2015 audited results. This report includes a number of Additional Performance Measures ('APM's')[1] which provide useful additional information about Unity.

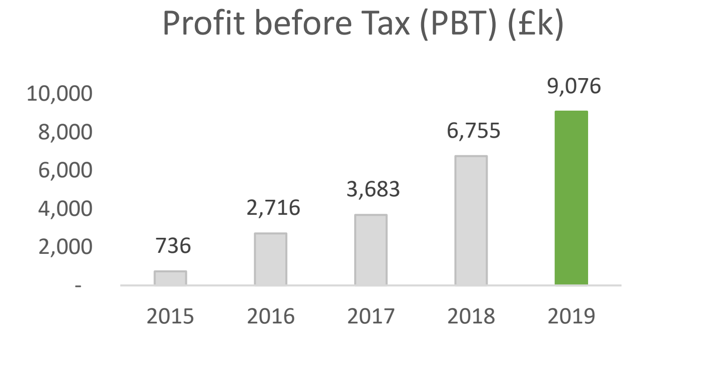
<table>
<tr><th>Key performance indicator</th><th>Performance</th></tr>
<tr><td>

Profit before tax, as reported in the Income Statement for 2019.

The figures for 2015 to 2018 show profit before tax.

Profit contributes to capital which provides financial resilience and facilitates investment in the future.

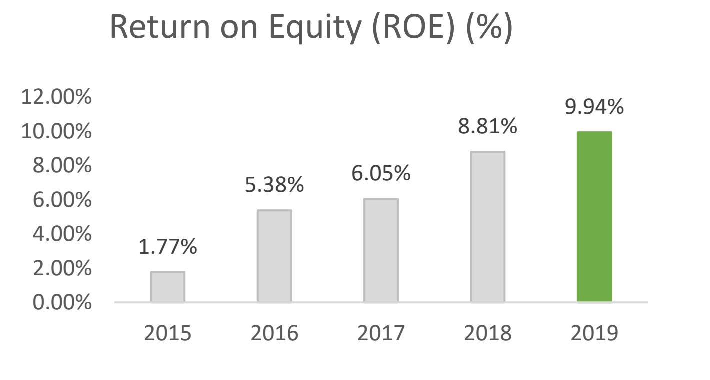
</td><td>



</td></tr>
<tr><td>

Return on Equity indicates the ratio of profit after tax divided by average shareholder equity.

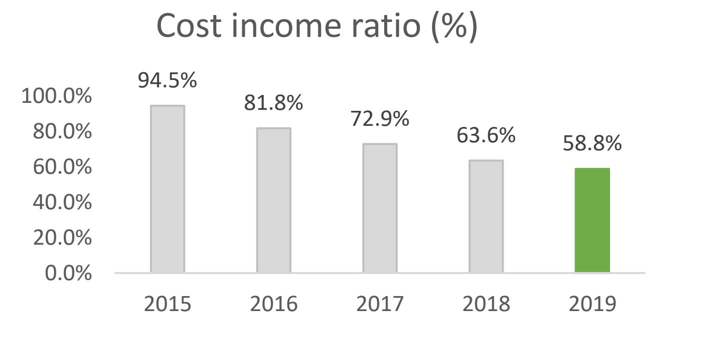
</td><td>



</td></tr>
<tr><td>

Cost income ratio shows the operational expenses (including exceptional items) as a proportion of 'Total income' as shown on the Income Statement.

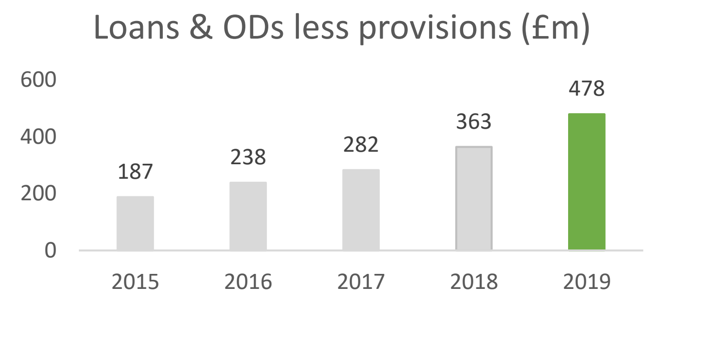
</td><td>



</td></tr>
<tr><td>

Loans and advances to customers are shown net of any loan loss provisions calculated in accordance with IFRS 9 since 2018. Provisions prior to 2018 were calculated in accordance with IAS 39.

</td><td>



</td></tr>
</table>

[1] Further information on APMs is available in the glossary on page 51.

By Order of the Board

Margaret Willis
Chief Executive Officer
Unity Trust Bank plc
6th March 2020

Results and Dividends

The results for the year, before taxation, amounted to a profit of £9.1m (2018: £6.8m). The Directors recommend a final dividend of 5p per share to be paid in 2019 (2018: 4.25p per share).

Post Balance Sheet Events

There are no significant post balance sheet events to report.

Directors

The Directors during the year and at the date of signing the accounts are:

Non-Executive Directors

Alan Hughes, Chairman
Dave Prentis, President and Non-Executive Director (Resigned 20 May 2019)
Sandy Chen, Independent Non-Executive Director
Jim Gunner, Independent Non-Executive Director
Ed Sabisky, Non-Executive Director (until his death 1 March 2020)
Susan Sternglass Noble, Independent Non-Executive Director
Allan Wylie, Non-Executive Director

Executive Directors

Margaret Willis, Chief Executive Officer

Employee Share Ownership Plan

Unity EBT Limited is a wholly-owned subsidiary of the Bank and trustee of the Bank's Employee Share Ownership Plan (ESOP). During 2019, 300 Ordinary £1 shares were purchased by Unity EBT Limited from employees who had left the Bank for a total of £989. It is intended that these shares will be used in the operation of employee share ownership schemes.

During 2019, 1,400 Ordinary £1 shares were gifted to employees in recognition of service anniversaries at nil consideration.

Insurance and Indemnities

The Bank has purchased and maintains Directors and Officers liability insurance cover. In addition, the Bank indemnifies each of its Directors and the Directors of its subsidiary, Unity EBT Limited, against liability for wrongful or negligent acts. This arrangement constitutes a qualifying third-party indemnity provision for the purposes of the Companies Act 2006 and applied to each of the Bank's Directors serving in 2019 and as at the date of approval of this report.

Future Developments

An indication of future developments is in the Strategic Report.

Risk

Information on exposure to price risk, credit risk, liquidity risk and cash flow risk can be found in the Strategic Report.

Taxation

The Bank participates in the Community Investment Tax Relief (CITR) scheme which encourages investment in disadvantaged communities by giving tax relief to companies who invest in Community Development Finance Institutions (CDFIs). Deductions from Corporation Tax totalling £390k (2018: £496k) were made regarding the CITR scheme.

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred apart from capital expenditure which is spread across the life of the development.

The following table shows a breakdown of the Bank's tax contributions:

£'000	**2019**	**2018**
Corporation tax borne	**1,724**	1,283
Employment tax borne		
• Employer NIC	**640**	570
Total taxes paid	**2,364**	**1,853**
Employment taxes collected		
• Employee PAYE and NIC	**1,610**	1,412
Total tax contributions	**3,974**	**3,265**

Corporate Governance

The Board considers the Corporate Governance Code as its benchmark for good corporate governance and adheres to the Code where relevant and proportionate, for a company of its size.

Statement of Directors' responsibilities in respect of the strategic report, Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the company's ability to continue as a going concern.

Report of the Directors continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Going Concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Bank has adequate resources to continue in business for the foreseeable future.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including Britain's exit from the EU (Brexit), future projections of profitability, cash flows and capital resources.

In addition, notes 25 and 26 to the financial statements include the Bank's policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk.

The Bank has considerable financial resources and the Directors believe that the Bank is well placed to manage its business risks successfully. For this reason, they continue to adopt the going concern basis in preparing the Bank's financial statements.
Further information relevant to the assessment is provided within the basis of preparation of the financial statements on pages 24 to 29.

Disclosure of Information to the Auditor

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director, to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information to assess the company's position and performance, business model and strategy.

Auditor

The Board will recommend the re-appointment of Deloitte LLP to shareholders at the 2020 AGM.

By order of the Board

Kate Eldridge
Company Secretary

6th March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITY TRUST BANK PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Unity Trust Bank plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • revenue recognition – effective interest rate accounting; and • impairment of receivables
Materiality	The materiality that we used in the current year was £453,000 which was determined on the basis of 5% of profit before tax.
Scoping	A full scope audit was performed for the entity to statutory materiality.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Revenue recognition – effective interest rate accounting

Key audit matter description	The company recognised interest income of £14.0m (2018: £9.6m) and a balance sheet liability of £3.5m (2018: £3.2m) in relation to interest receivable on loans and advances to customers. The company holds loans and advances to customers which meet the criteria of financial assets under IFRS 9. The recognition of interest income on loans under IFRS 9 requires the use of an effective interest rate (EIR) method in which management makes various assumptions, including the behaviour life of each loan. The most significant judgement applied by management relates to the fees included within the EIR calculation, which are included relative to the loan balance when it is highly probable the loan will be drawn down. Given the degree of judgement involved when determining the fees directly attributable to the loan we identified that there is a potential for fraud through possible manipulation of this balance. In addition the company has developed and implemented a new model in 2019 to enhance the level of automation in the calculation therefore we have determined the accuracy of the scripts used as a significant risk. Management's associated accounting policies are detailed on page 26 and key judgements and estimates are included in note 11.
How the scope of our audit responded to the key audit matter	We obtained an understanding of management's process and relevant controls around recognition of interest income through discussions and walkthroughs. Specifically, we assessed the management review controls which are used to challenge key assumptions, such as the appropriateness of the fees incorporated within the EIR models used to recognise revenue. We reviewed the treatment of fees and charges arising on loans and advances to customers and challenged whether all directly attributable fees/costs were identified and included within the EIR calculation appropriately. We worked with our data analytics specialists to independently reconstruct the scripts used

	to perform the EIR calculations in order to test the accuracy of management's model. As part of our wider assessment of revenue recognition we also challenged the behavioural life assumptions used by management by reference to the company's historical behavioural life experience.
Key observations	The results of our testing were satisfactory and fees were included within the model in line with the requirements of IFRS 9. We considered that the underlying methodology used for the calculation of EIR to be materially compliant, albeit prudent, in the context of the accounting policies and the requirements of the standard.

5.2 Impairment of receivables

Key audit matter description	The company held allowances for impairment of £1.6m (2018: £1.6m) against loans and advances to customers of £479.2m (2018: £364.0m). For financial assets held at amortised cost, IFRS 9 requires the carrying value to be assessed for impairment using unbiased forward-looking information. The measurement of expected credit losses is complex and involves a number of judgements and estimates relating to customer default rates, exposure at default, loss given default, assessing significant increases in credit risk and macroeconomic scenario modelling. These assumptions are informed using historical behaviour and management's experience. They are also affected by management's consideration of the future economic environment. The most significant assumptions and judgements applied in the impairment model are: • the determination of staging criteria; • the accuracy of collateral valuations of cases in stage 2 and stage 3 where the latest valuation is more than 12 months old from the balance sheet date; and • the accuracy of the SQL script used by Management to perform the impairment calculations, as part of the enhanced automation of the impairment modelling process during the year. Given the degree of judgement involved in determining key assumptions, we also identified that there is a potential for fraud through possible manipulation of this balance. Management's associated accounting policies are detailed on page 27 and key judgements and estimates are included in note 11.
How the scope of our audit responded to the key audit matter	We identified and understood relevant controls, focusing on the review of the impairment model and the review of management's judgement paper. We reviewed cases where a significant increase in credit risk had been observed, as well as customers that had been placed on a watchlist by management and challenged the determination of staging criteria with reference to our knowledge of the industry and through benchmarking to peers. Additionally we sampled the remainder of the portfolio to identify whether there are any customers who may be experiencing signs of financial distress. We involved our valuation specialists to independently assess collateral valuations used within the loss given default calculation for a sample of stage 2 and stage 3 cases with reference to the most recent third party valuation reports. We engaged our data analytics specialists to independently reconstruct the SQL script used to perform the impairment calculations of receivables in order to determine the accuracy of management's model.

	As part of our wider assessment of impairment we challenged management's consideration of the future economic environment within the macroeconomic scenarios. In addition we assessed the completeness of management overlays through our understanding of the company's loan book and the external environment and benchmarked these assumptions to peers where appropriate. We reconciled the allowances for impairment models to the general ledger and substantively tested a sample of loans to assess whether the data used in the provision calculation were complete and accurate.
Key observations	Based on the evidence obtained, we found that the assumptions underpinning the loan loss provisioning model in respect of staging and collateral valuations, were determined and applied appropriately. Whilst we had observations around aspects of the methodology applied, the net impact did not result in a misstatement greater than our reporting threshold.

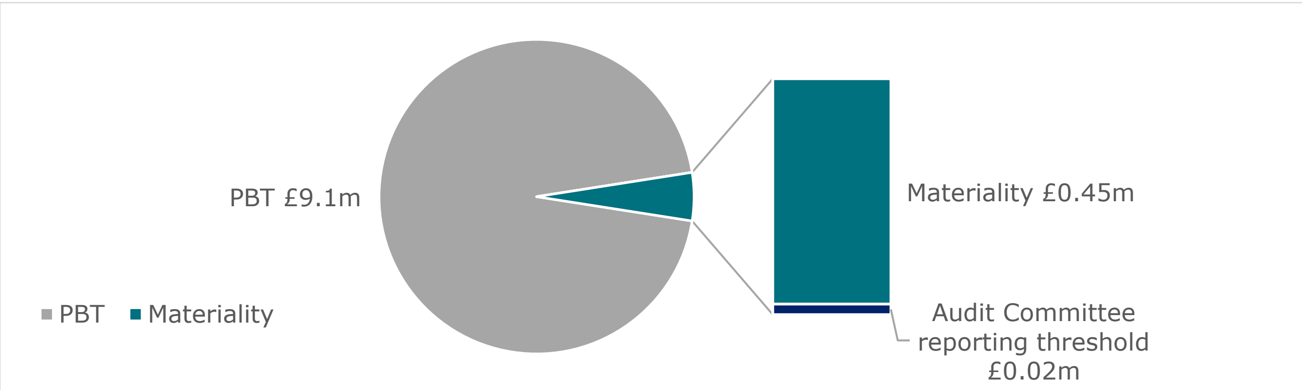
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£453,000
Basis for determining materiality	5% of pre-tax profit
Rationale for the benchmark applied	We determined materiality using profit before tax as we considered this to be the most appropriate measure to assess the performance of the company.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit.

We determined performance materiality with reference to factors such as it being a first year audit, our understanding of the entity's complexity and purpose, the quality of the control environment and the level of corrected and uncorrected misstatements identified in the prior year audit.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £22,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the company, its environment including entity-wide controls, and assessing the risks of material misstatement relevant for the company. Audit work to respond to the risk of material misstatement was performed directly by the audit engagement team.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations, pensions and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and impairment of receivables. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation, tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These include the requirements set by the Prudential Regulatory Authority and Financial Conduct Authority.

11.2 Audit response to risks identified

As a result of performing the above, we identified revenue recognition and impairment of receivables as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority and Prudential Regulation Authority as appropriate; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 24 to the financial statements for the financial year ended 31 December 2019 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters

15.1 Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 20 May 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ending 31 December 2019.

15.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Perkins FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
6 March 2020

Income Statement for the year ended 31 December 2019

All amounts are stated in £000s unless otherwise indicated

	Notes	**2019**	2018
Interest income under EIR method	5	**21,336**	16,874
Interest expense and similar charges	6	**(2,002)**	(1,323)
Net Interest Income		**19,334**	15,551
Fee and commission income		**4,483**	3,944
Fee and commission expense		**(1,175)**	(1,124)
Net fee and commission income		**3,308**	2,820
Total income		**22,642**	18,371
Operating expenses	7	**(13,315)**	(10,623)
Exceptional pension scheme related costs	7	**-**	(1,045)
Impairment (charge)/credit on loans and advances	11	**(251)**	52
Profit before taxation	3	**9,076**	6,755
Taxation charge	9	**(1,095)**	(788)
Profit for the year attributable to shareholders		**7,981**	5,967

The accounting policies and notes on pages 24 to 50 form part of these financial statements.

Statement of Comprehensive Income for the year ended 31 December 2019

All amounts are stated in £000s unless otherwise indicated

	2019	2018
Profit for the year - equity shareholders	**7,981**	5,967
Other comprehensive income:		
Items that may subsequently be reclassified to profit or loss		
Fair Value through other comprehensive income investments		
Prior year charges	**-**	(28)
Valuation gains/(losses) taken to equity	**532**	(1,891)
Reclassification adjustments included in profit	**-**	(10)
Taxation	**(118)**	322
Items that will not subsequently be reclassified to profit or loss		
Initial recognition of DB pension surplus	**-**	4,277
Actuarial gain/(losses) on defined benefit obligations	**2,731**	(275)
Taxation	**(464)**	(680)
Other comprehensive income for the year, net of tax	**2,681**	1,715
Total comprehensive income for the year - equity shareholders	**10,662**	7,682

[1]Net changes in the fair value of investment securities held by the Bank at year end are recognised within equity.

[2]For investment securities held at FVTOCI the amount removed from equity and recognised in income statement is disclosed separately.

Attributable to:		
Equity shareholders	**10,662**	7,682
Dividend paid in the year	**(953)**	(538)
	9,709	7,144

The accounting policies and notes on pages 24 to 50 form part of these financial statements.

Statement of Financial Position as at 31 December 2019

All amounts are stated in £000s unless otherwise indicated

	Notes	2019	2018
Assets			
Cash and balances with the Bank of England	10	**301,858**	280,390
Loans and advances to banks		**2**	1,243
Loans and advances to customers	11	**477,554**	362,446
Investment securities	12	**331,713**	426,368
Intangible assets	13	**135**	220
Property, plant and equipment	14	**904**	1,195
Right of use assets	15	**2,381**	-
Pension scheme net assets	20	**6,700**	4,020
Other assets		**172**	48
Prepayments and accrued income	16	**787**	964
Total assets		**1,122,206**	1,076,894
Liabilities			
Customer deposits		**1,030,435**	998,130
Other liabilities	17	**3,326**	479
Accruals and deferred income		**1,581**	1,527
Provisions for liabilities and charges	18	**416**	274
Current tax liabilities		**330**	708
Deferred tax liabilities	19	**986**	353
Total liabilities		**1,037,074**	1,001,471
Capital and reserves attributable to the Bank's equity shareholders			
Ordinary share capital	21	**22,421**	22,421
Share premium account	21	**11,808**	11,808
Capital redemption reserve		**4,511**	4,511
Retained earnings		**46,850**	37,555
Financial asset valuation reserve		**(458)**	(872)
Total equity		**85,132**	75,423
Total liabilities and equity		**1,122,206**	1,076,894

The accounting policies and notes on pages 24 to 50 form part of these financial statements.

Approved by the Board on 6th March 2020 and signed on its behalf by:

Margaret Willis, Chief Executive Officer

Alan Hughes, Chairman

Statement of Changes in Equity for the year ended 31 December 2019

All amounts are stated in £000s unless otherwise indicated

2019	**Share capital**	**Share premium**	**Capital redemption reserve**	**FVTOCI**	**Retained earnings**	**Total equity**
At 1 January 2019	**22,421**	**11,808**	**4,511**	**(872)**	**37,555**	**75,423**
Profit for the financial year	**-**	**-**	**-**	**-**	**7,981**	**7,981**
Actuarial gain on Defined Benefit pension	**-**	**-**	**-**	**-**	**2,731**	**2,731**
Deferred Tax movements				**(118)**	**(464)**	**(582)**
Net movement in Fair value through other comprehensive income	**-**	**-**	**-**	**532**	**-**	**532**
Total other comprehensive income	**-**	**-**	**-**	**414**	**10,248**	**10,662**
Dividend paid	**-**	**-**	**-**	**-**	**(953)**	**(953)**
At 31 December 2019	**22,421**	**11,808**	**4,511**	**(458)**	**46,850**	**85,132**

2018	Share capital	Share premium	Capital redemption reserve	FVTOCI	Retained earnings	Total equity
At 1 January 2018	18,943	5,563	3,250	725	31,338	59,819
Total comprehensive income for the financial year	-	-	-	(1,597)	5,967	4,370
Initial recognition of DB pension surplus	-	-	-	-	3,322	3,322
Issue of share capital	4,739	6,245	-	-	-	10,984
Own shares acquired during financial year	(1,261)	-	1,261	-	(2,534)	(2,534)
Total other comprehensive income	3,478	6,245	1,261	(1,597)	6,755	16,142
Dividend paid	-	-	-	-	(538)	(538)
At 31 December 2018	22,421	11,808	4,511	(872)	37,555	75,423

The accounting policies and notes on pages 24 to 50 form part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2019

All amounts are stated in £000s unless otherwise indicated

	Notes	**2019**	2018
Profit before taxation		**9,076**	6,755
Adjustments for:			
Finance costs		**123**	-
Impairment losses/(credits), net of reversals, on financial assets		**251**	(52)
Depreciation of property, plant and equipment		**310**	179
Depreciation of right-of-use assets		**286**	-
Amortisation of intangible assets		**85**	93
Loss on disposal of property, plant and equipment		**105**	56
Increase in provisions		**142**	124
		10,378	7,155
Operating cash flows before movements in working capital			
Decrease/(increase) in prepayments and accrued income		**177**	(206)
Decrease/(increase) in other operating assets		**126**	(49)
Advances to customers		**(115,356)**	(83,356)
Bank of England mandatory reserve	10	**(192)**	(381)
Increase in accruals and deferred income		**54**	466
Increase in customer accounts		**32,305**	48,197
Decrease/(increase) in other operating liabilities		**(106)**	(572)
Cash generated by operations		**(72,614)**	(28,746)
Income tax paid		**(1,422)**	-
Net cash outflow from operating activities		**(74,036)**	(28,746)
Investing activities			
Purchase of property, plant and equipment		**(124)**	(1,153)
Intangible asset additions		**-**	(162)
Purchase of investment securities		**(60,317)**	(174,045)
Proceeds from sale and redemption of investment securities		**155,503**	120,951
Net cash from / (used in) investing activities		**95,062**	(54,409)
Financing activities			
Dividends paid		**(953)**	(538)
Repayment of lease liabilities		**(38)**	-
Buy back of own shares		**-**	(2,534)
Proceeds on issue of share capital net of transaction costs		**-**	10,984
Net cash flow (used in) / from financing activities		**(991)**	7,912
Net increase/(decrease) in cash and cash equivalents		**20,035**	(75,243)
Cash and cash equivalents at beginning of year		**280,923**	356,166
Cash and cash equivalents at end of year		**300,958**	280,923
Cash and balances with the Bank of England	10	**300,956**	279,680
Loans and advances to banks		**2**	1,243
		300,958	280,923

The accounting policies and notes on pages 24 to 50 form part of these financial statements.

Notes to the Financial Statements

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies

The Bank's report and accounts have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and IFRS Interpretations Committee (IFRIC) guidance as adopted by the European Union.

The financial information has been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value. The Bank applies the recognition measurement and disclosure requirements of IFRS in issue that are endorsed by the EU.

The Bank formed and commenced operating a subsidiary company (Unity EBT) on 02 January 2013 but by 31 Dec 2018 and 31 December 2019 the activity of this subsidiary was immaterial and so these accounts reflect both the Bank and Group as a single entity.

Going concern

The report and accounts have been prepared on the going concern basis.

Accounting standards require the Directors to assess the Bank's ability to continue to adopt the going concern basis of accounting. In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them, having regard to the 'Guidance on the Going Concern Basis Accounting and Reporting on Solvency and Liquidity Risks' published by the Financial Reporting Council in April 2016.

In order to assess the appropriateness of the going concern basis the Directors considered the Bank's financial position, the cash flow requirements laid out in its forecasts, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them.

After performing this assessment, the Directors concluded that it was appropriate for them to continue to adopt the going concern basis in preparing the report and accounts.

Changes in accounting policies

1.1 New IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

The Bank is required to adopt IFRS 16 Leases from 1 January 2019. The standard replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Transition

The main change arising from the new standard is that all leases (with the exception of short-term contracts and contracts of minor value) must be recognised as an asset (right of use asset) and as a liability on the lessee's balance sheet. In the income statement, the straight-line expense for the operating lease has been replaced by a charge for depreciation on the leased asset and an interest expense attributable to the lease liability.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This contrasts with the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

Unity adopted the standard on 1 January 2019, applying the modified retrospective method upon implementation. The comparative figures for previous periods have not been restated. The Bank recognised new assets and liabilities for its leases of office premises, equipment and motor vehicles. The impact on adoption was an increase in the Right of Use asset as part of property, plant and equipment by £2.7m and a corresponding increase in other liabilities of £2.7m, with no material impact on retained earnings. This resulted in additional regulatory capital requirements of £0.4m. The main impact on Unity's accounts derives from accounting for contracts for the rental of premises.

Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how Unity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), Unity:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- Recognises the total amount of cash (principal and interest) presented (within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), Unity has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'operating expenses' in the Income Statement.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that Unity recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on Unity's financial statements.

(iii) Unity as a lessee

Unity assesses whether a contract is or contains a lease, at inception of the contract. Unity recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, Unity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Unity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Unity did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Unity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Two practical expedients;

- Using the practical expedient, Unity Trust Bank has taken the option to apply IFRS 16 using the cumulative catch up approach with effect of initial application at 1 January 2019.

- In addition, the modified retrospective approach has been taken where the lease payments are measured based on the remaining period of the lease at the date of initial application [IFRS 16.C7]. The election [IFRS 16.5] has been taken, not to apply IFRS 16 on a lease-by lease basis where there is less than 12 months remaining on the lease term at the time of initial application.

Using the practical expedient, Unity Trust Bank plc has taken the option to apply IFRS 16 using the cumulative catch up approach with effect of initial application at 1 January 2019.

The Bank has elected for its motor vehicle and office leases that include servicing /maintenance costs as part of the lease payment not to separate the costs but include these as one single payment for the calculation of the present value of the lease obligation, as it is not practicable to separate. For premises lease, the service charge is easily identifiable and therefore not included within the lease liability and will be recognised on an accruals basis.

The incremental borrowing rate applied to each lease was determined by taking account the risk-free rate, adjusted for factors linked to the life of the underlying lease agreement. The weighted average incremental borrowing rate applied by Unity was 4.98 per cent. Incremental borrowing rates applied to individual leases are currently between 1% and 5%.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses a lease specific incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- fixed service costs associated where applicable
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the to terminate the lease.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

Unity has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Unity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, Unity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Unity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

1.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, Unity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU:

• IFRS 17	Insurance Contracts
• IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
• Amendments to IFRS 3	Definition of a business
• Amendments to IAS 1 and IAS 8	Definition of material
• Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of Unity in future periods.

1.3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Interest income and expense

Interest income and expense are recognised for all financial instruments measured at amortised cost or FVTOCI using the effective interest rate method 'EIRM'.

The EIRM calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate 'EIR' is the rate that exactly discounts estimated future cash flows to the net carrying amount, over the behavioural life of the financial instrument.

When calculating the EIR, the Bank takes into account all contractual terms of the financial instrument, but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

(b) Fees and commissions

Fee and commission income is predominantly made up of fees received for banking services and do not meet the criteria for inclusion in the EIRM. These fees are recognised in income on an accruals basis as services are provided.

Fees and commissions payable to brokers in respect of obtaining lending business, where these are direct and incremental costs related to the issue of a loan, are included in interest income as part of the EIR.

(c) Classification and measurement of financial assets and liabilities

Classification is dependent on two tests, a contractual cash flow test (named SPPI: Solely Payments of Principal and Interest) and a business model assessment.

If the cash flows from the instrument are only principal and interest, then the business model assessment determines whether the instrument is classified as amortised cost or FVTOCI:

- If the instrument is being held to collect contractual cash flows, it is measured at amortised cost.
- If the intention for the instrument is to both collect contractual cash flows and potentially sell the asset, it is reported at FVTOCI.

FVTOCI assets are measured at fair value based on quoted market prices or prices obtained from market intermediaries. Unrealised gains and losses arising from changes in fair value are recognised directly in other comprehensive income, except for impairment, which is recognised in the Income Statement. Gains and losses arising on the sale of FVTOCI assets, including any cumulative gains or losses previously recognised in other comprehensive income, are reclassified to the Income Statement.

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

If the cashflows from the instrument are not solely principal and interest (for example, linked to inflation) or the instruments are held for trading purposes, the asset is reported at FVTPL with differences in fair value being recognised in profit or loss. Assets are only reclassified if the business model for holding those assets changes. There are no instances of this in the year.

Investment securities previously classified as available for sale are now classified as FVTOCI, as the business model objective is both to collect contractual cash flows and sell financial assets for liquidity reasons.

Loans and advances to customers and customer accounts are both classified as held at amortised cost, as the business model intention is to collect contractual cash flows. Assets are recognised when the funds are advanced, and liabilities recognised when funds are received from customers. The carrying value of these financial instruments at initial recognition includes any directly attributable transactions costs.

(d) Impairment of financial assets and loan commitments

The Bank assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets carried at amortised cost and FVTOCI and that associated with the exposure arising from pipeline loan commitments. The change in the impairment provision is reported in profit and loss.

When an asset is originated, the ECL is measured as the present value of credit losses from default events over its lifetime. The provision recognised is either the amount expected over the next 12 months, or the amount expected over its lifetime (see below). If the credit risk reduces, after a curing period, the allowance can be reduced from lifetime to the amount expected over the next 12 months based on the lifetime proxy.

'Expected loss' is estimated considering a broad range of information, including:

- Past events, such as experience of historical losses for similar financial instruments;
- Current conditions; and
- Reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument.

Credit Risk Categorisation

The Bank categorises its financial assets and loan commitments into one of three stages at the balance sheet date. Assets that are performing are shown in stage 1; assets where there has been a significant increase in credit risk (SICR) since initial recognition or 'watchlist' assets are in stage 2 and assets which are credit impaired are in stage 3. The Bank recognises a 12-month proportion of lifetime ECL allowance, being ECLs resulting from default events that are possible within 12 months after the reporting date, on all stage 1 assets and a lifetime ECL allowance on all stage 2 and 3 assets. Lifetime PDs are used as a proxy for 12 month PDs as the two approaches are not materially different.

The Bank's approach to staging criteria is based around a well-established process through assessment of credit risk at inception of each loan, and through periodic review. Movements in risk grade provide the basis for the assessment of SICR on a loan-by-loan basis. The credit quality of all counterparties is reviewed and rated at least annually. In addition, the Bank's focus on relationship management, receipt of management information, monitoring of financial covenants and loan degradation reporting, supports the identification of early warning signs and the risk gradings allocated.

Expected Credit Losses (ECL)

ECL are calculated based on information relating to:

1) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
2) The time value of money; and
3) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Investment securities are considered to have low credit risk at both the origination and reporting dates; therefore these assets are allocated to stage 1 with an impairment allowance equal to 12-month ECL. External investment grades of the assets are regularly monitored.

The Bank writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Assets are derecognised when the contractual cash flows expire. If terms and conditions of loan contracts are substantially modified, the Bank considers whether this results in derecognition of the existing loan and recognition of a new loan.

(e) Derivative financial instruments and hedge accounting

Derivatives used for asset and liability management purposes

The Bank has the ability to use derivatives for asset and liability management purposes to manage interest rate exposures related to non-trading positions. The instruments used are interest rate swap contracts.

Derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement except where derivatives qualify for cash flow hedge accounting.

The Bank did not hold any derivatives during the period under review.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less any accumulated depreciation or impairment.

Depreciation is provided on a straight line basis at the following rates, which are estimated to write down the assets to realisable values at the end of their useful lives.

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

Equipment and fittings	10% per annum
Computer equipment	33% per annum

All items of property, plant and equipment are regularly reviewed for indications of impairment. Any impairment identified would be charged to the Income Statement.

Consultancy costs incurred in acquiring and developing software for internal use which is directly attributable to the functioning of computer hardware are capitalised as tangible fixed assets where software supports a significant business system and the expenditure leads to the creation of an identifiable durable asset. Capital work in progress is not depreciated until the asset is available for use; i.e. it is in the location and condition necessary for it be capable of operating in the manner intended by management.

(g) Intangible assets

Costs directly associated with the development of identifiable and unique software products that will generate benefits exceeding costs beyond one year, are recognised as intangible assets. Costs associated with developing or maintaining computer software programmes are recognised in the Income Statement as incurred.

Software licenses grant a right of use for the Bank. In accordance with IAS 38 the development and acquisition cost for the licence is treated as an intangible asset separate from the tangible asset (computer) on which it is installed.

Amortisation is provided on a straight line basis at the following rate, which is estimated to write down the assets to realisable values at the end of their useful lives.

Banking system	10% per annum

The banking system is regularly reviewed for indications of impairment. Any impairment identified would be charged to profit and loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, balances with the Bank of England and balances with an original maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(i) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank has a tax conduct statement which is available on the website www.unity.co.uk/taxation

(j) Pension costs

The Bank operates a defined benefit pension scheme and a defined contribution scheme for employees. Contributions to the defined contribution pension scheme are recognised as an expense in the Income Statement as incurred, on an accruals basis.

From initial recognition, the Bank’s net obligation under the defined benefit pension scheme is assessed annually by an independent qualified actuary. The net obligation is calculated as the difference between the fair value of the scheme‘s assets and the amount of future entitlements earned by scheme members from service in prior periods, discounted back to present values using a rate based on an index of long-dated AA rated corporate bonds. This calculation allows the net obligation of the scheme to be expressed as either a surplus or deficit, which is recognised as either an asset or a liability respectively in the Bank‘s accounts at the Balance Sheet date.

Gains or losses arising from the remeasurement of the defined benefit plan are recognised in full, in the year they occur, in the Statement of Comprehensive Income.

A surplus is recognised in conjunction with IAS 19 and IFRIC 14, allowing for the surplus to be recognised as an unrestricted asset on the Balance Sheet, where there is an unconditional right to a refund of the surplus in defined circumstances and there are expected to be surplus assets. This unconditional right can arise in any of the following defined circumstances:

a) during the life of the pension scheme; or
b) assuming the gradual settlement of scheme liabilities over time until all members have left the scheme; or
c) assuming the full settlement of the scheme liabilities in a single event.

All amounts are stated in £000s unless otherwise indicated

(k) Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Provisions

A provision is recognised in the balance sheet if the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Deferred income

Customer loan arrangement fees which are received from customers in advance are recognised as deferred income until the customer loan is drawn down and then carried as part of the loan balance.

(n) Share premium

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. Expenses and commissions paid on the issue of shares are written off against the share premium of the same issue.

(o) Capital redemption reserve

When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. The nominal value of shares repurchased is transferred to the capital redemption reserve in equity.

All amounts are stated in £000s unless otherwise indicated

2 Judgements in applying accounting policies and critical accounting estimates

The Bank makes judgements in applying its accounting policies which affect the amounts recognised in these financial statements. Estimates and assumptions are also made that could affect the reported amounts of assets, liabilities, income and expenses. These are continually assessed and reviewed and are based on historical experience and reasonable expectations of future events. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. A decrease in the expected life of customer loans by one month would reduce the loans and advances to customers by £5k, with a corresponding increase to interest income.

Key judgements and critical estimates are made in the following areas and discussed within those notes:

- Impairment – note 11
- Effective interest rate – note 11
- Pensions – note 20

3 Profit before taxation

The remuneration of the Bank's auditor is as follows:

	2019	2018
Audit services		
Fees payable for the audit of the annual accounts	**112**	85
Non-Audit services		
Fees payable for all other services	**-**	6
Total	**112**	91

4 Directors' emoluments

	2019	2018
Non-executive Directors - emoluments	**244**	228
Executive Directors - emoluments		
Remuneration as a Director	**285**	261
Total	**529**	489

The highest paid Director during the year was the Chief Executive Officer (CEO), who received a total remuneration package of £285k (2018: £261k). Executive Director remuneration includes salary, profit share payments and car allowance.

Independent Non-executive Directors received fees of £158k per annum in aggregate for their services (2018: £149k). The Chairman of the Bank received a fee of £86k per annum (2018: £79k) in the year.

Shareholder Non-executive Directors are not paid a fee by the Bank.

5 Interest income under EIR method

	2019	2018
On financial assets at amortised cost:		
on loans and advances to customers	**15,018**	11,247
on loans and advances to banks	**2,527**	2,041
On financial assets at FVTOCI:		
on investment securities	**3,791**	3,586
Total	**21,336**	16,874

All amounts are stated in £000s unless otherwise indicated

6 Interest expense and similar charges

	2019	2018
On financial liabilities not at fair value through profit or loss on customer deposits	**1,879**	1,323
On Lease liabilities interest	**123**	-
Total	**2,002**	1,323

7 Operating expenses

	Note	2019	2018
Staff costs	8	**7,048**	5,811
Administrative expenses[1]		**5,206**	5,200
Amortisation of intangible fixed assets	13	**85**	93
Depreciation of property, plant and equipment	14	**310**	179
Depreciation of right-of-use assets	15	**286**	-
Operating lease rentals		**180**	254
Finance lease rentals		**38**	-
Research and development expenditure		**195**	-
Movement in provisions for liabilities and charges[2]	18	**(33)**	131
Total		**13,315**	11,668

[1]2018 includes £1,045k exceptional cost relating to the exit from Pace pension scheme and setting up the Bank's own DB scheme; the Bank contributed £600k to the new scheme and incurred adviser costs of £445k.
[2]As per note 18, this balance represents the movement in provided / released amounts in relation to customer claims and FSCS provisions. The movement for the redundancy provision is within staff costs.

8 Staff costs

	Note	2019	2018
Wages and salaries		**5,420**	4,661
Severance		**144**	27
Social security costs		**641**	570
Pension costs - defined benefit plans	20	**51**	(18)
Pension costs - defined contribution plans		**346**	302
Employee participation plan		**446**	269
Total		**7,048**	5,811

Included below is the monthly average number of persons employed by the Bank and was made up as follows:

	2019	2018
Full time	**96**	82
Part time	**13**	10
Total	**109**	92

9 Income tax

Tax Policy

The company adopted a tax policy on 27 February 2014, updated in December 2019. A copy is available on our website at https://www.unity.co.uk/taxation. The disclosures made in these financial statements comply with commitments made in that tax policy. The Bank is a member of the Fair Tax Mark.

Tax charge	2019	2018
Current tax on profits for the year	**1,285**	707
Adjustment in respect of prior years	**(241)**	33
Total current tax	**1,044**	740
Deferred tax		
Current year	**10**	85
Adjustment in respect of previous periods	**42**	(28)
Effect of changes in tax rates	**(1)**	(9)
Total deferred tax	**51**	48
Tax per income statement	**1,095**	788

All amounts are stated in £000s unless otherwise indicated

9 Income tax

Other comprehensive income		
Income items:		
Deferred tax current year charge	**582**	358
Deferred tax prior year charge	**-**	28
Tax per statement of comprehensive income	**582**	386

Further information about deferred income tax is presented in note 19. The tax on the Bank's profit before taxation differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

Tax reconciliation	**2019**	2018
Profit for the period - continuing activities	**9,076**	6,755
Tax on profit at standard UK tax rate of 19.00% (2018: 19.00%)	**1,724**	1,283
Adjustments to tax charge in respect of prior periods	**(198)**	4
Expenses not deductible for tax purposes	**8**	3
Non qualifying depreciation	**-**	-
Tax rate changes	**(1)**	(9)
Community Investment Tax Relief	**(390)**	(496)
Loss on disposal of non qualifying assets	**-**	3
R&D expenditure	**(48)**	-
Total tax charge for the year	**1,095**	788

Cash paid reconciliation	**2019**	2018
Opening corporation tax liability	**707**	32
Add: current corporation tax liability for the year	**1,285**	707
Prior year adjustment	**(240)**	-
Less: payments in the year	**(1,422)**	(32)
Closing corporation tax liability	**330**	707

The standard rate of Corporation Tax in the UK changed is 19%. The company's profits for the accounting period are taxed at an effective rate of 12.07%.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The amount of corporation tax payable is lower than would be implied by the current headline tax rate as the Bank has benefitted from Community Investment Tax Relief (CITR). The CITR scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). The Bank has made such investments. The tax relief is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made. We note that the Bank has now utilised the CITR in full.

The Bank invests in CDFIs because it believes in the benefits they provide to the communities in which they operate. The tax relief it obtains is provided strictly in accordance with UK tax law and has been made available to encourage this activity.
A deferred tax asset of £986,404 has been recognised on the basis that there is sufficient evidence that the assets will be recoverable. We note that the company has unrecognised deferred tax of £221,115 in relation to capital losses

10 Cash and balances with the Bank of England

	2019	2018
Mandatory reserve with the Bank of England	**902**	710
Cash and balances with the Bank of England	**300,956**	279,680
Total	**301,858**	280,390

Cash and balances with the Bank of England includes cash of £902k (2018: £710k) held in a mandatory reserve with the Bank of England. This is excluded from cash and cash equivalents within the statement of cash flows.

11 Loans and advances to customers

IFRS 9 'Financial Instruments'

Classification and measurement

Financial assets have been classified and measured based on the business model reason for which they are held and on the characteristics of their contractual cash flows. The Bank's financial assets (customer loans) have been classified as either held at amortised cost or held at fair value through other comprehensive income (FVTOCI);

- The contractual terms of the Bank's financial assets have been assessed for non-standard clauses and off-market rate conditions and in the Bank's assessment the assets meet the "solely payments of principal and interest" (SPPI) criteria. This means that interest is related to: return for the time value of money, credit risk or liquidity risk, amounts to cover expenses and a profit margin.
- The intention under the Bank's business model is that treasury assets are sold for liquidity and periodic asset realisation as required and not for trading purposes. These assets are recorded at fair value with gains being recognised through OCI.

Previously loans and advances to customers, loans and advances to banks and cash and balances with the Bank of England were classified as loans and receivables. There has been no change to the carrying amount of these assets on transition to IFRS 9.

Impairment

IFRS 9 expected credit loss (ECLs) are recognised for loans and advances to banks and customers, investment securities and certain loan commitments, held at amortised cost or FVTOCI.

The standard requires the Bank to identify assets that have been subject to a significant increase in credit risk (SICR) since initial recognition. The Bank has allocated the assets to the following three stages, aligning to internal credit risk management processes:

- Stage 1 – Loans and commitments with a risk grade of 1 to 5 on the internal scorecard are assumed not to have seen a SICR since initial recognition. Loans which meet certain criteria are subject to a quarterly management review as a backstop to assess the appropriateness of this assumption. The loss allowance applied to these assets is equal to 12 months ECL. Investment securities are also allocated to this stage due to their credit quality.

- Stage 2 – These are loans with a risk grade of 6 or 7, demonstrating that certain early warning indicators have been evidenced. It is considered that these assets have experienced a SICR. The loss allowance applied to these assets is equal to the loan's lifetime ECL.

- Stage 3 – These are loans with a risk grade of 8 or 9 and are in default or realisation and considered to be credit impaired (i.e. events which cause a negative impact on estimated future cashflows have arisen). The loss allowance for these assets is equal to the loan's lifetime ECL.

Effective interest rate (EIR)
In calculating the EIR to apply to customer loans held at amortised cost, the Bank estimates future cash flows, considering all contractual terms of the loan.

A key judgement is the determination of the fees directly attributable to the loan; which are deemed to be the arrangement and introducer fees only.

A critical assumption used in the calculation is the expected life over which to measure future cash flows. The amortised cost of the loans will change with slight variances in expected term. A change in the assumption to 8 years expected life will impact the Income Statement by £52k with a benefit to reserves of £226k.

Impairment
The main judgement is the application of the internal risk grades (1-9) to the staging approach (1-3) and the identification of SICR.

As detailed in Note 1, the Bank's approach to staging criteria is based around its well-established process for risk-grading. Movements in risk grade are also the basis for the assessment of SICR on a loan-by-loan basis.

- Risk grades 1-5 are considered performing with no significant deterioration in credit risk; therefore these loans are allocated to stage 1.

- Loans which have dropped 3 risk grades from the point of origination or are risk grades 6 and 7 have exhibited SICR, or are not considered to have cured having been in stage 2. Risk grades 6 and 7 are on watchlist or considered to shows signs of financial stress with turnaround in the short term. Quantitative measures such as forward-looking probabilities of default that are derived from reasonable and supportable forecasts of future economic conditions, as well as from other qualitative factors are used, and therefore requires significant management judgement. The stage 2 assessment is also supported by an objective 'back stop' measure of arrears where arrears is measured as 90 days past due.

- Risk grades 8 and 9 are accounts in default or realisation and are credit impaired or are not considered to have cured having been in stage 3. These accounts are allocated to stage 3.

The key estimates and assumptions applied within the impairment modelling relate to:

- Probability of default (PD), Exposure at default (EAD) percentages and Loss given default (LGD) value; and
- Forward looking information.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

PD, EAD and LGD

PD% reflects actual experience of default over the last 10 years, and where the account had originated 12 months prior. PD is calculated for each risk grade (being 100% for those accounts already in default and credit impaired).

EAD% reflects the attrition profile of the book at the average probability from which a loan will default after reporting date. This is based on default experience over the past 10 years. EAD is calculated for stages 1 and 2, as for accounts in stage 3 the actual exposure can be determined as the account is in default.

LGD is determined by considering drawn and committed loan balances, adjusted for indexed market value of security and applying forced sale discounts (FSD) based on historical experience.

Forward looking information

Expectations of future economic conditions are incorporated through the different economic scenarios applied to the model. The use of different scenarios allows for the calculation of ECL to capture a range of possible outcomes, in an appropriately wide range of plausible economic scenarios, with the provision increasing in unfavourable conditions. The ECL provision reported within these financial statements is the probability weighted sum of the provision calculated under four scenarios: base, improved, stressed and severe stressed.

Scenario	Derivation	Weighting
Base	Represents the most likely economic forecast and aligned with the scenario used in the Bank's financial planning process	60%
Improved	PD% reduced from base, subject to a floor. No other changes from base	5%
Stressed	Increase in base PD%, haircut applied to MV of security prior to FSD	30%
Severe stressed	Significant increase in base PD%, greater haircut applied to MV of security prior to FSD. The assumptions align to those used in the Bank's ICAAP stress test	5%

All amounts are stated in £000s unless otherwise indicated

11 Loans and advances to customers (continued)

The ECL provision has the greatest sensitivity to the economic scenario weightings. Movements to individual parameters are not sensitive and unrealistic as these parameters would not move in isolation. Sustained movement in parameters would be reflected within economic conditions. As at 31 December 2019, the customer loan provision is £1,616k, applying 100% weighting to Base results in a provision of £1,096k; and applying 100% weighting to Stress leads to a £2,046k provision. A 10% increase in PD would lead to a £62k increase in impairment provision.

	2019	2018
Gross loans and advances[1]	**479,170**	364,000
Less: allowance for losses on loans and advances to customers[1]	**(1,616)**	(1,554)
Total	**477,554**	362,446

[1] Gross loans and advances and the loss allowance differ to those shown in the credit risk tables in note 26 due to commitments. Irrevocable undrawn commitments to lend are within the scope of IFRS 9 provision requirements. These commitments represent authorised overdraft balances and separately identifiable commitments for loan pipeline, where the facilities remain undrawn. The commitments of £56.8m (1 January 2019: £53.2m) are not recognised on the balance sheet, whilst the total associated provision of £70k (1 January 2019: £28k) is included within the allowance for losses on loans and advances to customers within stage 1.

The following table reconciles the opening and closing impairment provision for loans and customers in different stages, from 1 January 2019 to 31 December 2019.

	Non-credit impaired		**Credit impaired**	
	Stage 1 12 month ECL £000	**Stage 2 Lifetime ECL £000**	**Stage 3 Lifetime ECL £000**	**Total £000**
Impairment provision at 1 January 2019	**364**	**80**	**1,110**	**1,554**
Transfers:				
Transfers to stage 2	**(6)**	**6**	**-**	**-**
Transfers to stage 3	**-**	**(4)**	**4**	**-**
Utilisation	**-**	**-**	**(189)**	**(189)**
Charges/(credit) to profit and loss:				
Changes in provision	**(44)**	**35**	**1**	**(8)**
Unwind of discount of allowance	**85**	**35**	**(23)**	**97**
New provisions	**232**	**48**	**-**	**280**
Provisions that have been derecognised during the period	**(69)**	**-**	**(49)**	**(118)**
Impairment provision at 31 December 2019	**562**	**200**	**854**	**1,616**

	Non-credit impaired		**Credit impaired**	
	Stage 1 12 month ECL £000	**Stage 2 Lifetime ECL £000**	**Stage 3 Lifetime ECL £000**	**Total £000**
Impairment provision at 1 January 2018	**347**	**38**	**1,235**	**1,620**
Transfers:				
Transfers to stage 2	**(1)**	**1**	**-**	**-**
Utilisation	**-**	**-**	**(14)**	**(14)**
Charges/(credit) to profit and loss:				
Changes in provision	**(44)**	**19**	**179**	**154**
Unwind of discount of allowance	**6**	**9**	**(10)**	**5**
New provisions	**119**	**13**	**-**	**132**
Provisions that have been derecognised during the period	**(63)**	**-**	**(280)**	**(343)**
Impairment provision at 31 December 2018	**364**	**80**	**1,110**	**1,554**

All amounts are stated in £000s unless otherwise indicated

11 Loans and advances to customers (continued)

Concentration of exposure:

The Bank's exposure is all within the United Kingdom. The following industry concentrations of Bank advances before provisions are considered significant.

	2019	2018
Administrative bodies and non-commercial	**224,480**	186,964
Property (excluding hotels and leisure)	**166,378**	130,604
Hotels & leisure	**3,382**	3,970
Other	**84,930**	42,462
	479,170	364,000

12 Investment securities

	2019	2018
Fair value through other comprehensive income		
Other listed transferable debt securities	**331,713**	426,368
Total	**331,713**	426,368

Movements during the year are analysed below:

	2019	2018
At 31 December 2018	**426,368**	375,190
Effects in changes in accounting policies	**-**	(25)
At 1 January 2019	**426,368**	375,165
Fair value adjustment	**531**	(1,891)
Acquisitions	**60,317**	174,045
Disposals and maturities	**(155,503)**	(120,951)
At 31 December 2019	**331,713**	426,368

13 Intangible assets

	2019	2018
Computer Software		
Cost		
At 1 January	**375**	1,464
Additions	**-**	162
Write offs	**-**	(1,251)
At 31 December	**375**	375
Accumulated Amortisation		
At 1 January	**155**	1,303
Charge for the year	**85**	93
Write offs	**-**	(1,241)
At 31 December	**240**	155
Net book value at 31 December	**135**	220

All amounts are stated in £000s unless otherwise indicated

14 Property, plant and equipment

	Equipment & Fittings	Computer Equipment	Total
Cost			
At 1 January 2019	**683**	**708**	**1,391**
Additions	**-**	**93**	**93**
Disposals	**-**	**(105)**	**(105)**
Work in progress	**-**	**31**	**31**
At 31 December 2019	**683**	**727**	**1,410**
Accumulated Depreciation			
At 1 January 2019	**40**	**156**	**196**
Charge for the year	**109**	**201**	**310**
Disposals	**-**	**-**	**-**
At 31 December 2019	**149**	**357**	**506**
Net book value at 31 December 2019	**534**	**370**	**904**

Capitalised work in progress, as shown above, is currently not being depreciated. Of the total work in progress £31k relates to computer equipment.

	Equipment & Fittings	Computer Equipment	Total
Cost			
At 1 January 2018	717	2,007	2,724
Additions	-	155	155
Disposals	(639)	(1,847)	(2,486)
Work in progress	605	393	998
At 31 December 2018	683	708	1,391
Accumulated Depreciation			
At 1 January 2018	589	1,868	2,457
Charge for the year	41	138	179
Disposals	(590)	(1,850)	(2,440)
At 31 December 2018	40	156	196
Net book value at 31 December 2018	643	552	1,195

15 Leases

Right-of-use assets	Office Premises	Vehicles	Office Equipment	Total 2019
At 1 January 2019	**2,628**	**15**	**24**	**2,667**
Additions	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**
At 31 December 2019	**2,628**	**15**	**24**	**2,667**
Accumulated Depreciation				
At 1 January 2019	**-**	**-**	**-**	**-**
Charge for the year	**(266)**	**(11)**	**(9)**	**(286)**
Disposals	**-**	**-**	**-**	**-**
At 31 December 2019	**2,362**	**4**	**15**	**2,381**

Amounts recognised in the income statement

Interest on Lease Liabilities	**(123)**	**-**	**-**	**(123)**
Depreciation of Right of Use Assets	**(266)**	**(11)**	**(9)**	**(286)**
Expenses relating to short term leases	**-**	**(2)**	**-**	**(2)**
At 31 December 2019	**(389)**	**(13)**	**(9)**	**(411)**

All amounts are stated in £000s unless otherwise indicated

16 Prepayments & accrued income

	2019	2018
Amounts payable within one year:		
Other	**787**	964
Total	**787**	964

17 Other liabilities

	2019	2018
Amounts payable within one year:		
Trade creditors	**219**	234
Other liabilities	**532**	245
Lease Liability	**258**	-
Amounts payable after one year:		
Other liabilities	**-**	-
Lease Liability	**2,317**	-
Total	**3,326**	479

18 Provisions for liabilities and charges

	Redundancy	Customer claims	FSCS levy	Dilapidations Provision	Total
At 1 January 2019	**110**	**145**	**19**	**-**	**274**
Income statement movements:					
Provided/(released) in the year	**145**	**(29)**	**(4)**	**175**	**287**
Utilised during the year	**(137)**	**-**	**(8)**	**-**	**(145)**
At 31 December 2019	**118**	**116**	**7**	**175**	**416**
Amounts falling due within one year	**118**	**116**	**7**	**-**	**241**
Amounts falling due after one year	**-**	**-**	**-**	**175**	**175**
	118	**116**	**7**	**175**	**416**

	Redundancy	Customer claims	FSCS levy	Total
At 1 January 2018	110	5	35	150
Income statement movements:				
Provided/(released) in the year	27	140	(9)	158
Utilised during the year	(27)	-	(7)	(34)
At 31 December 2018	110	145	19	274
Amounts falling due within one year	110	145	19	274
Amounts falling due after one year	-	-	-	-
	110	145	19	274

Financial Services Compensation Scheme (FSCS)

In common with all regulated UK deposit takers, the Bank pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it.

The FSCS meets these current claims by way of annual management levies on members, including the Bank, over this period.

The Bank’s FSCS provision reflects market participation up to the reporting date. The above provision includes the estimated management expense levy for the scheme year 2019/20. This amount was calculated on the basis of the Bank’s current share of protected deposits taking into account the regulator’s estimate of total management expense levies for the scheme year.

All amounts are stated in £000s unless otherwise indicated

19 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method. The movement on the deferred tax accounts are as follows:

	Fixed assets	Short term timing differences	Pension	Investment	IFRS 9 transitional	Total
At 1 January 2019	(62)	(19)	683	(198)	(51)	353
Adjustment in respect of prior year	42	-	-	-	-	42
Current year deferred tax charge	5	(1)	(9)	8	6	9
Charge to OCI	-	-	464	118	-	582
At 31 December 2019	**(15)**	**(20)**	**1,138**	**(72)**	**(45)**	**986**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the Balance Sheet date. The Finance Act No.2 2015 reduced the tax rate to 19% (effective from 1 April 2017) and the Finance Act 2016 further reduced the tax rate to 17% (effective from 1 April 2020). These changes to the main tax rate had been enacted at the balance sheet date and are reflected in the measurement of deferred tax balances.

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred income tax assets of £221,115 in respect of capital losses amounting to £1,300,676 that can be carried forward against future taxable chargeable gains.

20 Pensions

As at 31 December 2019, the surplus in the Scheme was £6.7m compared with £4.0m as at 31 December 2018, with the movement going through profit and loss and other comprehensive income, as shown in the tables below.

Scheme

The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustee directors are nominated by the members of the Scheme.

The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustee Directors are nominated by the members of the Scheme.

There are three categories of pension scheme members:

- In-service deferred members: currently employed by Unity who may have retained a salary link to their benefits and are not yet in receipt of a pension;
- Deferred members: former employees of Unity not yet in receipt of pension; and
- Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgo (allowing for future salary increases for in-service deferred members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 December 2019 is around 20 years.

Future funding obligation
The Trustee is required to carry out an actuarial valuation every three years.

The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 31 December 2018. This valuation revealed a funding surplus of around £3.8 million. As there is no funding shortfall, and as the Scheme meets its own expenses, Unity does not expect to pay any contributions to the Scheme during the accounting year beginning 1 January 2020.

Method and assumptions

The results of the most recent formal actuarial valuation as at 31 December 2018 have been updated to 31 December 2019 by a qualified independent actuary. The assumptions used were as follows:

All amounts are stated in £000s unless otherwise indicated

20 Pensions (continued)

Significant actuarial assumptions:

	As at 31 December 2019	As at 31 December 2018
Discount rate	**1.9% pa**	2.7% pa
RPI inflation	**2.8% pa**	3.3% pa
CPI inflation	**2.0% pa**	2.3% pa

Other actuarial assumptions:

	As at 31 December 2019	As at 31 December 2018
Salary increases	**3.3% pa**	3.6% pa
Pension increases:		
Post 88 GMP	**1.9% pa**	2.1% pa
RPI max 5% pa	**2.8% pa**	3.2% pa
RPI max 2.5% pa	**2.1% pa**	2.3% pa
Revaluation of deferred pensions	**RPI: 2.8% pa**	RPI: 3.3% pa
in excess of GMP	**CPI: 2.0% pa**	CPI: 2.3% pa

Mortality assumptions:

	As at 31 December 2019	As at 31 December 2018
Mortality (pre- & post-retirement)	**102% S2PMA**	100% S2PMA
	110% S2PFA	100% S2PFA
	CMI_2018_M/F	CMI_2017_M/F
	1.25% (yob)	1.25% (yob)

Life expectancies (in years)

	As at 31 December 2019		As at 31 December 2018	
	Males	**Females**	Males	Females
For an individual aged 65 in 2019	**21.7**	**23.4**	22.0	23.9
At age 65 for an individual aged 45 in 2019	**23.0**	**24.9**	23.4	25.4

Risks

Through the Scheme, the Bank is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, but the Scheme also invests in growth funds. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.

- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation, however this would be partially offset by an increase in the value of the Scheme's bond holdings.

- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place).

- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustees and Unity manage risks in the Scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.

- LDI approach: holding assets that display similar interest rate and inflation sensitivity to the Scheme's liabilities.

Sensitivity analysis

Assumption	**Change in assumption**	**% change in defined benefit obligation**
Discount rate	+ / - 0.5% pa	- 9% / +11%
Inflation	+ / - 0.5% pa	+ 7% / - 7%
Assumed life expectancy	+ 1 year	+ 3%

All amounts are stated in £000s unless otherwise indicated

20 Pensions (continued)

Limitations of the sensitivity analysis

The sensitivities used are a reasonable approximation of possible changes. These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Assets

The scheme's assets as at 31 December 2019 were held as follows:

	As at 31 December 2019	
Asset class	Market Value	% of total assets
Diversified growth fund	5,613	15%
Diversified credit fund	8,882	24%
Corporate bonds	5,734	15%
Liability driven investment	7,440	20%
Gilts	6,502	17%
Cash	3,387	9%
Net current assets	-	0%
Total	37,558	100%

Note: all assets listed above have a quoted market price in an active market.

Reconciliation to the Statement of Financial Position (balance sheet)

	As at 31 December 2019	As at 31 December 2018
Market value of assets	37,558	35,850
Present value of defined benefit obligation	(30,858)	(31,830)
Funded status	6,700	4,020
Adjustment in respect of minimum funding requirement	-	-
Pension asset recognised in the Statement of Financial Position before allowance for deferred tax	6,700	4,020

A surplus may be recognised if the economic benefits are available in the form of a refund or reduction in future contributions. The Rules of the Scheme state that Unity will be entitled to any surplus remaining if the Scheme is run on until the last member exits the Scheme. Surpluses are therefore recognised in full.

Analysis of changes in the value of the define benefit obligation over the period

	As at 31 December 2019	As at 31 December 2018
Value of defined benefit obligation	31,830	31,943
Interest cost	823	169
Past service cost	-	-
Benefits paid	(2,678)	(701)
Actuarial gains: experience differing from that assumed	(849)	(253)
Actuarial (gains)/losses: changes in demographic assumptions	(1,179)	672
Actuarial losses: changes in financial assumptions	2,911	-
Value of defined benefit obligation at the end of the period	30,858	31,830

Analysis of changes in the value of the scheme assets over the period

	As at 31 December 2019	As at 31 December 2018
Market value of assets at the start of the period	35,850	36,220
Interest income	930	192
Actual return on assets less interest	3,614	144
Benefits paid	(2,678)	(701)
Administration costs	(158)	(5)
Market value of assets at the end of the period	37,558	35,850

All amounts are stated in £000s unless otherwise indicated

20 Pensions (continued)

Amounts recognised in the income statement

	2019	2018
Expenses	**158**	5
Past service cost	**-**	-
Net interest	**(107)**	(23)
Amount charged/(credited) to income statement	**51**	(18)

Amounts recognised in other comprehensive income

	Period ended 31 December 2019 £'000s	Period ended 31 December 2018 £'000s
Actuarial losses on defined benefit obligation	**(883)**	(419)
Actual return on assets less interest	**3,614**	144
Amounts recognised in other comprehensive income	**2,731**	(275)

21 Share capital

	2019	2018
Issued:		
Ordinary shares of £1 each	**22,421**	22,421
Share premium account	**11,808**	11,808
	34,229	34,229

22 Contingent liabilities and commitments

The tables below show the nominal principal amounts and credit equivalent amounts of contingent liabilities and commitments. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk.

The contingent liabilities of the Bank as detailed below arise in the normal course of banking business and it is not practical to quantify their future financial effect.

	2019 Contract amount	2018 Contract amount
Guarantees and irrevocable letters of credit	**16**	16
	16	16
Other commitments:		
Undrawn formal standby facilities, credit lines and other commitments to lend:		
1 year and over	**88,574**	98,594
	88,574	98,594

All amounts are stated in £000s unless otherwise indicated

22 Contingent liabilities and commitments (continued)

Commitments under operating leases

	2019		2018	
	Land and buildings	**Other leases**	Land and buildings	Other leases
At the year end, total commitments under non-cancellable operating leases were payable as follows:				
Expiring:				
-within one year	**-**	**47**	351	23
-between one and five years	**-**	**-**	1,754	24
-in five years or more	**-**	**-**	1,383	-
	-	**47**	3,488	47

Operating lease rental payments are disclosed in note 7.

The 'Other leases' commitments refer to the Bank's offices in Manchester and London, which expire in 2020.

23 Related party transactions

The Bank has a related party relationship with its Directors, executive management and the defined benefit pension scheme. The remuneration of non-Director key management personnel of the company is set out below in aggregate for each of the relevant categories specified in IAS 24 Related Party Disclosures. Director remuneration is disclosed in note 4.

Key management compensation

	2019	2018
Salaries and other short-term benefits	**721**	806
Post-retirement benefits	**54**	54
	775	860

Unite the Union Trustee Company Limited and Unite the Union Second Trustee Company Limited provide a PPF guarantee over the punctual performance of all present and future obligations and liabilities of the Bank, to make payments under the Scheme. During the year a fee of £55,200 was paid by the Bank (2018: £50,000), to be shared by the guarantors. This fee is calculated in reference to the 'buy-out' (s75) value and is paid annually.

24 Country by country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions within the scope of the Capital Requirements Directive (CRD IV, superseded by CRD V). All of the activities of the Bank are conducted in the United Kingdom and therefore 100% of the total income, profit before tax and tax paid as well as employee figures disclosed in note 8 are related to the United Kingdom. The Bank has not received any public subsidies.

25 Capital management - unaudited

The Bank's policy is to maintain adequate capital so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank has complied with all externally imposed capital requirements throughout the period.

Regulatory capital

Regulatory capital stood at £79.5m (2018: £71.8m), significantly in excess of the minimum required by the Prudential Regulation Authority.

Regulatory capital analysis

	2019	2018
Tier 1		
Share capital	**22,421**	22,421
Share premium account	**11,808**	11,808
Capital redemption reserve	**4,511**	4,511
Retained earnings	**46,850**	37,555
Less: financial asset valuation reserve	**(458)**	(872)
Common Equity Tier 1 (CET1) capital before adjustments	**85,132**	75,423

All amounts are stated in £000s unless otherwise indicated

25 Capital management - unaudited (continued)

	2019	2018
Adjustments to CET1		
Other intangible assets	**(135)**	(220)
Prudent additional valuation adjustment	**(332)**	(426)
Net pension asset	**(5,562)**	(3,337)
IFRS 9 transitional adjustment	**542**	361
CET1 and Total Tier 1 capital resources	**79,645**	71,801
Tier 2 Adjustment for collective provisions	**-**	-
Total Tier 2 Adjustments	**-**	-
Total regulatory capital	**79,645**	71,801
Common Equity Tier 1 ratio	**17.6%**	19.3%

26 Financial risk management

The fair value represents the amount at which the instrument would be exchanged in an arm's length transaction between two wiling parties. In most cases, quoted market prices are readily available and are used, otherwise prices are obtained by using well established valuation techniques, which use present cash flows. The fair value will approximate to the carrying value when instruments are carried on the balance sheet at market value or where the instruments are short term or contain frequent repricing provisions. At 31 December 2019 and 31 December 2018, the book value of the Bank's financial instruments that have an active and liquid market were equivalent to the fair value of those instruments.

Valuation of Financial Instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Primary Financial Instruments used by the Bank

The main financial instruments used by the Bank, and the purposes for which they are held, are outlined below:

Customer loans and deposits

The provision of banking facilities to customers is the prime activity of the Bank and customer loans and deposits are major constituents of the balance sheet. The Bank has detailed policies and procedures to manage risks. In addition to mortgage lending, much of the lending to corporate and business banking customers is secured.

Debt securities, wholesale market loans and deposits

Debt securities are non-traded investment securities. The Bank holds High-Quality Liquid Asset and together with debt securities underpin the Bank’s liquidity requirements and generate incremental interest income.

	Amortised Cost	FVTOCI	Total carrying value	Fair value	Fair value hierarchy tier
31 December 2019					
Assets					
Financial instruments measured at fair value					
Investment securities	**-**	**331,713**	**331,713**	**331,713**	**Level 1**
Financial instruments not measured at fair value					
Cash and balances with the Bank of England	**301,858**	**-**	**301,858**	**301,858**	**Level 1**
Loans and advances to banks	**2**	**-**	**2**	**2**	**Level 3**
Loans and advances to customers	**479,170**	**-**	**479,170**	**459,709**	**Level 3**
	781,030	**331,713**	**1,112,743**	**1,093,282**	
Liabilities					
Deposits from customers	**1,030,435**	**-**	**1,030,435**	**1,030,435**	**Level 3**
	1,030,435	**-**	**1,030,435**	**1,030,435**	

All amounts are stated in £000s unless otherwise indicated

26 Financial risk management (continued)

	Amortised Cost	FVTOCI	Total carrying value	Fair value	Fair value hierarchy tier
31 December 2018					
Assets					
Financial instruments measured at fair value					
Investment securities	-	426,368	426,368	426,368	Level 1
Financial instruments not measured at fair value					
Cash and balances with the Bank of England	280,390	-	280,390	280,390	Level 1
Loans and advances to banks	1,243	-	1,243	1,243	Level 3
Loans and advances to customers	362,446	-	362,446	322,706	Level 3
	644,079	426,368	1,070,447	1,030,707	
Liabilities					
Deposits from customers	998,130	-	998,130	998,130	Level 3
	998,130	-	998,130	998,130	

• Loans and advances to banks

Fair value is calculated based on the present value of future payments of principal and interest cash flows.

• Loans and advances to customers

The fair value of loans and advances to customers are based on future interest cashflows and principal cashflows discounted using an appropriate market rate. The market rate applied in the calculation is a management assessment of the interest rate for new loan originations with similar characteristics to the loan portfolio being valued. The eventual timing of cashflows may be different from the forecast due to unpredictable customer behaviour.

• Investment securities

The fair value of investment securities is determined by reference to the quoted bid price at the balance sheet date.

• Customer deposits

Fair value is calculated based on the present value of future payments of principal and interest cash flows.

The fair value of customer loans and advances and loans and advances to bank have been categorised using level 3 as the value is not based on observable market data. The remaining financial assets and liabilities have been categorised using level 1 and level 2.

Credit Risk

Credit risk is an integral part of many of our business activities and is inherent in traditional banking products (loans, commitments to lend and contingent liabilities) and in 'other products' (such as lending transactions). Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Bank or its failure to perform as agreed.

All authority to take credit risk derives from the Bank’s Board. The level of credit risk authority delegated depends on seniority and experience, varying according to the quality of the counterparty or any associated security or collateral held.

The Bank's Risk Management Framework is approved by the Board annually and determines the criteria for the management of corporate exposures. It specifies credit management standards, including country, sector and counterparty limits, along with delegated authorities.

The Bank’s Risk appetite aim, is to maintain a broad sectoral spread of exposures which reflect the Bank’s areas of expertise. Credit exposures to corporate and business banking customers are assessed individually. The quality of the overall portfolio is monitored, using a credit grading system calibrated to expected loss. The Board Risk Committee receives regular reports on new facilities and changes in facilities, sector exposures, impairment provisions and the realisation of problem loans.

Credit policy for treasury investments involves establishing limits for each of these counterparties based on their credit rating.

All amounts are stated in £000s unless otherwise indicated

26 Financial risk management (continued)

Maximum exposure to credit risk

	Gross balance	**Credit commitments**		**2019 Credit risk exposure**	Gross balance	Credit commitments		2018 Credit risk exposure
		Pipeline[1]	**Other**			Pipeline[1]	Other	
Cash balances at central banks	**301,858**	**-**	**-**	**301,858**	280,390	-	-	280,390
Loans and advances to banks	**2**	**-**	**-**	**2**	1,243	-	-	1,243
Loans and advances to customers	**479,170**	**56,826**	**31,748**	**567,744**	364,000	53,208	45,386	462,594
Investment securities	**331,738**	**-**	**-**	**331,738**	426,393	-	-	426,393
	1,112,768	**56,826**	**31,748**	**1,201,342**	1,072,026	53,208	45,386	1,170,620
Impairment allowance for:								
Loans and advances				(1,616)				(1,554)
Treasury investments				(25)				(25)
Total				**1,199,701**				1,169,041

[1]As detailed in note 11, irrevocable undrawn commitments to lend are within the scope of IFRS 9 provision requirements. These commitments represent authorised overdraft balances and separately identifiable commitments for loan pipeline, where the facilities remain undrawn. The commitments are not recognised on the balance sheet. The provision is recognised within stage 1 ECL.

The Bank's concentration exposure for loans and advances is outlined in note 11 and for treasury investments further below within this note.

Credit risk analysis

The following table analyses the ECL stages split by the number of days past due (DPD) and illustrates the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance. This analysis includes loans and advances to customers, including pipeline commitments and investment securities, and represents their exposure to credit risk. There are no assets >90 DPD.

As discussed in the accounting policy (note 1), assets are allocated to the following stages, (subject to other qualitative triggers not being met): internal risk grades 1-5 are classified as stage 1, risk grades 6-7 are stage 2 and risk grades 8-9 are stage 3.

The definitions of these risk grading are as follows:

1 – Very strong credit risk
2 – Strong credit risk
3 – Good credit risk
4 – Acceptable credit risk
5 – Broadly acceptable credit risk but with some warning signs
6 – Customers on Watchlist but still performing and expected to continue to operate
7 – Work out – Risk of business failure although no loss anticipated
8 – Default impaired – Risk of business failure and potential risk of loss to the Bank
9 – Default and in realisation

	Stage 1 12 month ECL £000	**Stage 2 Lifetime ECL - SICR £000 <30 DPD**	**Stage 3 Lifetime ECL – credit impaired £000 <90 DPD**	**Total £000**
Impairment provision at 1 January 2019	**389**	**80**	**1,110**	**1,579**
Gross carrying amount as at 1 January 2019	**834,757**	**6,896**	**1,947**	**843,600**
Individual financial assets transferred from stage 1	**(7,504)**	**7,504**	**-**	**-**
Individual financial assets transferred from stage 2	**486**	**(1,303)**	**817**	**-**
Individual financial assets transferred from stage 3	**-**	**-**	**-**	**-**
New financial assets originated or purchased	**254,734**	**503**	**-**	**255,237**
Financial assets that have been derecognised	**(237,076)**	**(857)**	**(242)**	**(238,175)**
Other changes	**8,114**	**(320)**	**(350)**	**7,444**
Gross carrying amount as at 31 December 2019	**853,511**	**12,423**	**2,172**	**868,106**
Impairment provision at 31 December 2019	**587**	**200**	**854**	**1,641**

The above table is prepared on an IFRS 9 basis. The balances reflect contractual repayments and movements in accounting balances (accrued interest and EIR).

All amounts are stated in £000s unless otherwise indicated

26 Financial risk management (continued)

Credit risk analysis (continued)

31 December 2018

	Stage 1 12 month ECL £000	Stage 2 Lifetime ECL - SICR £000 <30 DPD	Stage 3 Lifetime ECL – credit impaired £000 <90 DPD	Total £000
Impairment provision at 1 January 2018	372	38	1,235	1,645
Gross carrying amount as at 1 January 2018	687,295	5,408	2,835	695,538
Individual financial assets transferred from stage 1	(3,731)	3,731	-	-
Individual financial assets transferred from stage 2	866	(866)	-	-
New financial assets originated or purchased	304,346	87	13	304,446
Financial assets that have been derecognised	(145,552)	(1,037)	(831)	(147,420)
Other changes	(8,467)	(427)	(70)	(8,964)
Gross carrying amount as at 31 December 2018	834,757	6,896	1,947	843,600
Impairment provision at 31 December 2018	389	80	1,110	1,579

Collateral

Collateral is only held for loans and advances to customers. Any shortfall of security for an exposure is generally regarded as unsecured and assessment includes this element of residual risk. As at 31 December 2019 £8.0 million (2018: £7.3 million) within loans and advances was unsecured. Where the security, post any market value haircuts (as discussed in note 11), is greater than the loan exposure, no impairment allowance is recognised. As at 31 December 2019 £276.3m (2018: £201.3m) within loans and advances and pipeline required no provision.

Collateral held relates to the underlying property, on which the loan is secured. This mainly comprises real estate within the commercial and residential markets, the market value of which is assessed on a regular basis.

At the reporting date, the fair value of collateral held as security against credit impaired (stage 3) assets was £1.25m.

Geographical concentration

At 31st December 2019, the majority of the Bank's treasury investment exposures were to UK and European countries. The Bank also had £82 million of exposures to non-European countries as follows; Canada £72 million, Australia £10 million.

Country	**Repayable within 30 days**	**Repayable within 1 year but more than 30 days**	**Repayable in over 1 year**	**Credit risk mitigation**	**Total exposure 31 December 2019**
Norway	**-**	**9,180**	**7,000**	**-**	**16,180**
Sweden	**-**	**-**	**20,000**	**-**	**20,000**
Supranational	**-**	**15,000**	**45,000**	**-**	**60,000**
	-	**24,180**	**72,000**	**-**	**96,180**

The Bank had exposures to financial institutions in the following European countries at 31 December 2018:

Country	Repayable within 30 days	Repayable within 1 year but more than 30 days	Repayable in over 1 year	Credit risk mitigation	Total exposure 31 December 2018
Norway	20,000	-	16,180	-	36,180
Sweden	-	-	20,000	-	20,000
Supranational	-	15,000	40,000	-	55,000
	20,000	15,000	76,180	-	111,180

All amounts are stated in £000s unless otherwise indicated

26 Financial risk management (continued)

Interest rate risk

Interest rate risk is primarily managed through assessing the sensitivity of the Bank's non-trading book to standard and non-standard interest rate scenarios. The Board has established a risk appetite over the next twelve months to be at risk to a 200bp rise and fall in all yield curve rates, assuming the external rate on all retail products changes to maintain constant margins.

The Board receives at least quarterly reports on the management of balance sheet risk and the Asset and Liability Committee reviews the balance sheet risk position and the utilisation of wholesale market risk limits.

The following tables summarise the repricing periods for the assets and liabilities in the Bank's non-trading book. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. Interest free current account balances are included in the 'within 3 months' maturity band.

31 December 2019

	Within 3 months	**Over 3 months but within 6 months**	**Over 6 months but within 1 year**	**Over 1 year but within 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Assets							
Cash and balances with the Bank of England	**301,858**	**-**	**-**	**-**	**-**	**-**	**301,858**
Loans and advances to banks	**2**	**-**	**-**	**-**	**-**	**-**	**2**
Loans and advances to customers	**464,680**	**-**	**-**	**7,255**	**7,269**	**(1,650)**	**477,554**
Investment securities	**301,603**	**-**	**-**	**30,110**	**-**	**-**	**331,713**
Other assets	**-**	**-**	**-**	**-**	**-**	**11,079**	**11,079**
Total assets	**1,068,143**	**-**	**-**	**37,365**	**7,269**	**9,429**	**1,122,206**
Liabilities							
Customer accounts	**1,030,435**	**-**	**-**	**-**	**-**	**-**	**1,030,435**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**6,639**	**6,639**
Total equity	**-**	**-**	**-**	**-**	**-**	**85,132**	**85,132**
Total liabilities and equity	**1,030,435**	**-**	**-**	**-**	**-**	**91,771**	**1,122,206**
Derivatives	-	-	-	-	-	-	
Interest rate sensitivity gap	**37,708**	**-**	**-**	**37,365**	**7,269**	**(82,342)**	
Cumulative gap	**37,708**	**37,708**	**37,708**	**75,073**	**82,342**	**-**	

31 December 2018

	Within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year	Over 1 year but within 5 years	More than 5 years	Non-interest bearing	Total
Assets							
Cash and balances with the Bank of England	280,390	-	-	-	-	-	280,390
Loans and advances to banks	1,243	-	-	-	-	-	1,243
Loans and advances to customers	351,577	-	-	11,245	1,178	(1,554)	362,446
Investment securities	366,580	19,935	29,980	9,873	-	-	426,368
Other assets	-	-	-	-	-	6,447	6,447
Total assets	999,790	19,935	29,980	21,118	1,178	4,893	1,076,894
Liabilities							
Customer accounts	998,130	-	-	-	-	-	998,130
Other liabilities	-	-	-	-	-	3,341	3,341
Total equity	-	-	-	-	-	75,423	75,423
Total liabilities and equity	998,130	-	-	-	-	78,764	1,076,894
Derivatives	-	-	-	-	-	-	
Interest rate sensitivity gap	1,660	19,935	29,980	21,118	1,178	(73,871)	
Cumulative gap	1,660	21,595	51,575	72,693	73,871	-	

All amounts are stated in £000s unless otherwise indicated

26 Financial risk management (continued)

Liquidity Gap

The following table analyses assets and liabilities into relevant maturity groupings based on the remaining period of the balance sheet date to the contractual maturity date.

The Bank manages liquidity on a behavioural rather than contractual basis. The deposit base is very stable, with deposits being attracted to the Bank by good customer service and its commitment to the trade union and core sectors. As a result, the deposit base remains stable whereas the contractual maturity is immediate for instant access deposits.

These behavioural adjustments are based on historical experience of customer behaviour over a period of up to ten years.

As a result of this strength, the Bank has not been required to enter into the markets during the year. Future asset growth will be undertaken within the liquidity risk appetite set by Board.

31 December 2019	**Repayable on demand**	**3 months or less but not repayable on demand**	**1 year or less but over 3 months**	**5 years or less but over 1 year**	**Over 5 years**	**Non-cash items**	**Total**
Assets							
Cash and balances at central banks	301,858	-	-	-	-	-	301,858
Loans and advances to banks	2	-	-	-	-	-	2
Loans and advances to customers	-	4,721	14,230	87,164	371,439	-	477,554
Investment securities	-	301,603	-	30,110	-	-	331,713
Other assets	-	-	-	-	-	11,079	11,079
Total assets	**301,860**	**306,324**	**14,230**	**117,274**	**371,439**	**11,079**	**1,122,206**
Liabilities							
Customer accounts	866,645	163,790	-	-	-	-	1,030,435
Other liabilities	-	-	-	-	-	6,639	6,639
Total equity	-	-	-	-	-	85,132	85,132
Total liabilities and equity	**866,645**	**163,790**	**-**	**-**	**-**	**91,771**	**1,122,206**
Net liquidity gap on contractual basis	**(564,785)**	**142,534**	**14,230**	**117,274**	**371,439**	**(80,692)**	**-**

31 December 2018	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Non-cash items	Total
Assets							
Cash and balances at central banks	280,390	-	-	-	-	-	280,390
Loans and advances to banks	1,243	-	-	-	-	-	1,243
Loans and advances to customers	-	2,017	10,786	82,343	267,300	-	362,446
Investment securities	-	366,581	49,914	9,873	-	-	426,368
Other assets	-	-	-	-	-	6,447	6,447
Total assets	281,633	368,598	60,700	92,216	267,300	6,447	1,076,894
Liabilities			-				
Customer accounts	860,110	138,020	-	-	-	-	998,130
Other liabilities	-	-	-	-	-	3,341	3,341
Total equity	-	-	-	-	-	75,423	75,423
Total liabilities and equity	860,110	138,020	-	-	-	78,764	1,076,894
Net liquidity gap on contractual basis	(578,477)	230,578	60,700	92,216	267,300	(72,317)	-

All amounts are stated in £000s unless otherwise indicated

26 Financial risk management (continued)

Gross expected cashflow maturity analysis – contractual

31 December 2019

	Carrying value	**Gross nominal outflow**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Non Derivative liabilities							
Deposits from customers	**1,030,435**	**1,030,478**	**992,278**	**38,200**	**-**	**-**	**-**
Other liabilities	**6,369**	**6,369**	**6,369**	**-**	**-**	**-**	**-**
Total recognised liabilities	**1,036,804**	**1,036,847**	**998,647**	**38,200**	**-**	**-**	**-**
Unrecognised loan commitments	**90,232**	**90,232**	**90,232**	**-**	**-**	**-**	**-**
Total	**1,127,036**	**1,127,079**	**1,088,879**	**38,200**	**-**	**-**	**-**

31 December 2018(re-presented)

	Carrying value	Gross nominal outflow	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Non Derivative liabilities							
Deposits from customers	998,130	998,183	928,183	70,000	-	-	-
Other liabilities	3,341	3,341	3,341	-	-	-	-
Total recognised liabilities	1,001,471	1,001,524	931,524	70,000	**-**	**-**	**-**
Unrecognised loan commitments	91,409	91,409	91,409	-	-	-	-
Total	1,092,880	1,092,933	1,022,933	70,000	**-**	**-**	**-**

Glossary

The following glossary defines terminology within the Annual Report & Accounts to assist the reader:

Unity or The Bank	Unity Trust Bank plc
ALCO	Asset and Liability Committee
APM	Alternative Performance Measure: a performance measure used by Unity that provide a more meaningful measure than other performance measures.
CAGR	Compound Annual Growth Rate: an APM that is the annualised average rate of growth in Loans and advances to customers over the period (as a percentage).
CET1	Common Equity Tier 1
CDFI	Community Development Finance Institutions
CIR	Cost Income Ratio: an APM that is calculated as the total operating expenses as a proportion of Total Income.
CITR	Community Investment Tax Relief
CRD IV	Capital Requirements Directive (Directive 2013/36 EU)
CRD V	Capital Requirements Directive (Directive 2019/878 EU)
EAD	Exposure at default
ECL	Expected credit loss(es)
EIRM	Effective interest rate method
FCA	Financial Conduct Authority
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
ILAAP	Individual Liquidity Adequacy Assessment Process
LDR	Loan Deposit Ratio: an APM that is calculated as the customer loans as a proportion of the customer deposits.
LGD	Loss given default
PD	Probability of default
PPF	Pension Protection Fund
PRA	Prudential Regulation Authority
RoE	Return on Equity: an APM that is calculated as PAT as a proportion of the average shareholder equity
RFP	Responsible Finance Provider
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest

Registered Office:

Unity Trust Bank plc

Four Brindleyplace, Birmingham, B1 2JB

T. 0345 140 1000

F. 0345 113 0003

www.unity.co.uk

Registered in England and Wales no. 01713124

Unity Trust Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Unity Trust Bank plc is entered in the Financial Services Register under number 204570.