Wyelands Bank

Pillar 3 disclosures

as at 30 April 2019

Contents

1. Overview

1.1 The purpose of this document

This document provides the Pillar 3 disclosures for Wyelands Bank Plc and its subsidiaries ("Wyelands" or "the Bank") covering capital and risk management as at 30 April 2019. It covers the Bank's approach to risk management, its assets and capital resources and the Board governance structure.

1.2 Overview to Pillar 3

This document presents the Pillar 3 disclosures of the Bank as at 30 April 2019 in accordance with the requirements of the Capital Requirements Directive and Regulation (CRD IV) which came into force on 1 January 2014. In particular, it describes the Bank's capital adequacy, governance, its risk assessment methods and information on the management of the risks faced by the Bank. In line with best practice, the Bank has also sought to follow the disclosure guidelines provided by the European Banking Authority ('the EBA'). These were set out the EBA 'Final Report on the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 ('the EBA Guidelines').

These Pillar 3 disclosures should be read in conjunction with the Annual Accounts for the year ended 30 April 2019, which can be found at www.wyelandsbank.co.uk.

1.3 Scope

The CRD IV regulations set out a framework of regulatory capital requirements. This framework categorises the capital and prudential requirements under three pillars.

- **Pillar 1:** defines the minimum capital requirements that the firms are required to hold for credit, market and operational risks. The Pillar 1 capital requirement is calculated for the Bank using the following approach:

  Credit risk – standardised approach

  Market risk – not applicable as the Bank does not operate a trading book. Any market related activity or derivative usage is solely for hedging known exposures.

  Operational risk – basic indicator approach

- **Pillar 2:** builds on Pillar 1 and incorporates the Bank's own assessment of additional capital resources needed in order to cover specific risks that are not covered by the minimum regulatory capital resources requirements set out in Pillar 1. The amount of any additional requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ('SREP') and is used to determine the overall capital resources required by the Bank. To calculate its Pillar 2 requirements, the Board has performed a detailed assessment of the risks facing the Bank including the impact of a severe economic downturn. It has then calculated the amount of capital that it considers necessary to cover these risks within its Internal Capital Adequacy Assessment Process ('ICAAP'), which itself is reviewed as part of the PRA's SREP.
- **Pillar 3:** sets out the disclosures that Banks are required to make in order to improve market discipline through the external disclosure of its risk management, risk exposure and capital. The Bank is required to publish a Pillar 3 report annually.

1.4 Disclosure policy

In addressing the disclosure requirement under CRR, the Bank has considered the best practice guidance set out in the EBA Report 'on Bank's Transparency in their Pillar 3 Reports'.

The other disclosure requirements under Pillar 3 are not reviewed in detail, for the following reasons:

- Indicators of global systemic importance (Article 441 CRR) – with external non-treasury related lending exposures on the balance sheet of £434 million as at 30 April 2019, the Bank is not considered to meet the criteria for global significance and so no further consideration is given to this element.

– Credit risk under the IRB approach (article 452 CRR) – the Bank utilises the standardised approach to its calculation of Pillar 1 capital requirement for credit risk so no detailed analysis of the IRB approach is required.

1.5 Verification

External auditors are not required to audit the information contained in this Pillar 3 disclosure document, nor does it constitute any form of financial statement. The document has been prepared to comply with certain Pillar 3 disclosures relating to capital requirements and risk.

1.6 Coverage and basis of disclosure

The disclosures are made on behalf of the Bank and its subsidiaries. Only certain EBA templates are currently applicable to the Bank given that the Internal Ratings Basis and Credit Risk Mitigation techniques are not currently applicable.

1.7 Approval

The Bank's Board has approved this document.

2. Risk governance

2.1 Risk management

The Risk Management Framework policy ('RMF') sets out how the Bank manages risk and how the framework will be maintained. The framework governs the approach to management of all risks the Bank is exposed to, including, but not limited to, risks arising from financial, economic, operational and behavioural factors. The structure, processes, ownership, responsibilities and the risk oversight required to support its effective implementation across the Bank are all identified within the framework. The risk management framework supports the "three lines of defence" model and reinforces the need for first line management of risk with second and third line oversight.

The Bank's Board articulates the risk vision and strategy and approves the RMF, the Risk Appetite Statement (RAS), as well as setting the tolerance and approach to risk taking activities. The business manages risk in day-to-day operations across the Bank with clearly defined limits and mandates, which, if adhered to, will remain within the Board's risk appetite. Each member of staff has key responsibilities as described under their job descriptions and are responsible for identification of risk. Risks are initially monitored through Early Warning Indicators ('EWI's') which management review on a daily basis.

The Risk and Compliance functions provide oversight and challenge to the business concerning the risk monitoring and adherence. As a final step, internal and external audit providers give independent assurance to the Board that the business is being run effectively and that the RMF is being effectively implemented and is fit for purpose.

The Board and Management Target Limits are illustrated in the Risk Dashboard tables. They have been set by the Board for each of its chosen Key Risk Indicators ('KRIs').

The Bank produces a daily EWI report, which is based on a red, amber, green ("RAG") status set at wider headroom than actual regulatory limits. On this basis, any potential limit breaches and necessary management actions are flagged well in advance. Inherent and residual risk trends are also measured using a RAG system illustrating risk movements over a longer time-period. Management monitors the Bank's actual exposures against these quantitative measures on a daily basis in order to oversee compliance, and to ensure that the Bank operates within its risk appetite.

2.2 Board and management committees

The Bank has a governance arrangement consistent and compliant with the Financial Reporting Council's UK Corporate Governance Code. The Board is the governing body of the Bank with ultimate responsibility for the performance and oversight of the business. The Board elects, from amongst its independent non-executive Directors, a Chairman and appoints a separate CEO and other Executive Management to support the CEO. The Board subsequently establishes various committees and appoints individuals to specific roles within the committees, with relevant delegated authority provided to them.

There are three management committees that meet at least monthly. The Executive committee, Risk and Operations committee and the Asset and Liability committee. The Bank also has a Credit Sanctioning Committee, which assesses individual corporate, financial institution and non-bank financial institution credit risks above £7.5m or where escalated in line with credit policy.

Board Committees

Bank Board

Audit Committee	Risk Committee	Remuneration and Nominations Committee

Management Committees

Executive Committee	Risk and Operations Committee	Asset and Liability Committee	Credit Sanctioning Committee

3. Risk management framework

The RMF sets out the Board approved risk appetite limits that have been provided across a wide range of identified risks throughout the Bank's policies. The framework provides a set of documents that outlines key risk limits and their acceptance and tolerance levels. In particular, the framework sets out how the Bank:

- Sets its appetite for the types of risk to which it has or will have significant exposure as the result of following its business strategy and the business it undertakes;
- Monitors its forecast (under normal and stressed conditions) and actual exposure against the appetite;
- Organises the management of its risk so as to comply with the 'three lines of defence' model;
- Manages the different types of risk to operate within the risk appetite; and
- Develops and maintains the framework appropriately.

The Board is ultimately responsible for the risk taken by the Bank. The Bank's risk appetite is the amount of risk the Board is willing to accept in pursuit of the Board approved business strategy.

As the Bank pursues its objectives to create value it should have a clear understanding of its risk appetite, this should be communicated effectively to staff. The risk appetite should be monitored and updated as required to reflect any relevant changes to the business model and/or strategy as and when they occur.

The communication of the Board's risk appetite is cascaded through the business by the CRO, Executive Management team and senior managers in key roles. Each individual plays an integral part of this communication and management of the control process.

The qualitative statement of the Board's risk appetite is that:

- The Bank has appetite for a number of risks and seeks to hold capital for the risks it takes within its risk appetite; and
- The Bank's financial resources (capital and liquidity) must always be sufficient to meet any demands that may be placed upon them in both normal and stressed conditions.

4. Risk management strategy

The quantification of the Bank's risk appetite is shown in the RAS. It is expressed as a series of Board limits for each of the KRIs.

Board limits are accompanied in the statement by the regulatory limit for that KRI (where a regulatory limit exists), together with the management tolerance limit and the management target limit, which are set with consecutively greater headroom levels to the Board limit.

The Bank then uses a range of EWIs categorised under a RAG status/limits and set providing headroom above the management tolerance and target thresholds.

In descending order of headroom availability, the risk appetite statement limit hierarchy is therefore as follows:

- **Management Target (EWI Green):** A breach of the management target alerts senior management that the Bank is drifting off its targeted measures, i.e. away from its forecast and that corrective action may be required if the trend persists. A green EWI measure indicates being better than the management target, however the EWI trend could indicate diminishing headroom.
- **Between Management Target and Management Tolerance (EWI Amber)**: In normal conditions this is used to notify senior management of a need to take action to bring the Bank back to accepted thresholds, i.e. to operate as planned within forecast parameters. An amber EWI would indicate that the management target level is being exceeded and the management tolerance may be being approached and/or tested, while the EWI trend would indicate the trajectory of target measures and, therefore, potentially the degree of corrective action required. Operationally, with an amber signal, the CRO and executive committee would be notified immediately and would monitor the action taken by the operational managers to bring the Bank back into target tolerances. The actions that would be taken would include the appropriate Liquidity Contingency Plan options (as contained within the Recovery Plan) that are quick to implement, easy to reverse and unlikely to cause serious detriment to the Bank's future.
- **Between Management Tolerance and Board Risk Appetite (EWI Red):** These are the Board's risk appetite limits. Before a Board Limit is breached, the Board would be notified immediately and would monitor the actions taken under the direction of the executive Directors to bring the Bank back within the Board Limit. Again, the actions taken would include the appropriate LCP options. The Board limit EWI is always set to be tighter than any regulatory limit.
- **Between Board Risk Appetite and Regulatory Limit (EWI Black):** A black EWI would indicate that the board risk limit is being exceeded and board and executive team intervention is required. Once Board Limit is exceeded, the Board would be notified immediately and would monitor the action taken under the direction of the executive Directors to bring within appetite.
- **Regulatory limit:** This is the limit imposed by the relevant regulations. Were this to be breached, the Board and the FCA/PRA would be notified immediately and would agree and monitor the actions taken under the direction of the executive Directors to bring the Bank back within the Regulatory Limit. The actions taken would include the appropriate LCP options including those that are slower to implement, more difficult to reverse and which could cause detriment to the Bank's future.

The above were in place as at 30 April 2019. At the Bank's July Board meeting these tolerances were updated.

5. Three lines of defence

The Bank adopts the "three lines of defence" risk management model with each line playing a distinct role within the Risk Management Framework.

The three lines of defence model is integrated with the Bank's strategy, business practice and governance structure. It incorporates responsibility for comprehensive and accurate reporting to the Board and the various risk committees. The Board, along with senior management, has responsibility and accountability for setting the Bank's key objectives and the tolerance and approach to managing the risks in accomplishing those objectives.

The "three lines of defence" model provides a simple approach to ensure the key principles, elements and processes of risk management are ingrained at all levels and functional areas and is an integral part of the day to day operations. It provides the setting for embedding appropriate risk culture and behaviours aligned with the Bank's strategic vision, appetite for risk, and accounts for the interest of its customers' interests.

5.1 First line of defence – ownership and control

The first line of defence is made up of all business and support units, including IT and Operations. The first line of defence owns and manages risks and is responsible for identifying risks with the support of second line functions, and for implementing controls and any corrective actions to address identified process and control deficiencies.

The first line is responsible for the self-identification of key risks within their business area, assessing these risks in line with the Bank's risk scoring methodology, and controlling and mitigating the risks. The second line reviews the first line self-assessments to ensure all risks have been captured and that appropriate warning metrics applied.

Following validation from the second line the first line implements systems and controls to ensure the risks are managed within the tolerances set by the Risk Appetite Statement, and undertakes monitoring to ensure risks do not breach any defined limits.

Due to the size of the Bank and its operations, a key reliance for the appropriate performance of the Bank's functions is a combination of management oversight and application of the Bank's "four eyes approach", where the Bank seeks to segregate transactions, controls and decisions processing between the individuals inputting, validating, and authorising.

The Bank maintains job descriptions, role profiles and the Bank's Management Responsibilities Map ("MRM"), to ensure there is clarity over roles and responsibilities, along with reporting lines and escalation routes.

In certain key functions, such as the Finance department, a small element of overlap between first and second line functions occurs and staff have been trained to ensure that each transaction or review is double checked by a second individual. Furthermore, the concentration of certain first line and second functions does occur within the CEO and CFO functions, as these individuals act as both senior managers and directors who perform the first and second line of defence duties, such as capital and liquidity adequacy management and oversight, together with the Bank's growth trajectory. There is a continuous evaluation of risk and process deficiencies with regular MI produced which is reviewed to ensure it is fit for purpose and effective.

5.2 Second line of defence - oversight

The second line of defence, which is led by the CRO, is made up of the risk management and compliance functions. The second line of defence is responsible for the independent oversight of the risk management activities and controls implemented by the first line of defence, and independently monitors adherence to risk appetite and compliance with the relevant regulatory and legal obligations the Bank is subject to.

The second line of defence is primarily concerned with the oversight, challenge, measurement and monitoring of risks identified by the first line of defence, and has therefore been structured to ensure the general adequacy of the First Line's risk management activities.

The second line of defence is also concerned with:

- Ensuring role profiles accurately define the responsibilities of senior management and heads of business;
- Assisting in the development of policies and procedures to support the management and adherence, mitigation and monitoring of risks;
- Maintaining the risk matrix, and ensuring that all risks are recorded, monitored and mitigated;
- Reviewing the treatment of risk and the systems and controls used to monitor and mitigate; and
- Breach reporting and alerting management, and in turn the Board, to any emerging risks or change in regulations.

In order to assist the CRO in his role, the Board has established various risk committees, identified earlier, as well as robust compliance and financial crime functions, to ensure the CRO has effective oversight and authority to take reasonable steps to discharge responsibility for the second line.

5.3 Third line of defence - oversight

The third line of defence comprises both Internal and External Audit.

The role of Internal and External Audit is to provide objective and independent assurance to the Board that the Bank's risk management framework and activities are fit for purpose and appropriately undertaken by the first and second line, including reviewing the effectiveness of the Bank's:

- Governance framework;
- Risk and Compliance functions;
- Operational processes; and
- Risk reporting and internal controls and the integrity of the financial results.

Both the Internal and External Audit report directly to the non-executive Chair of the Audit Committee to ensure independence.The Internal Audit function is outsourced to KPMG.

External audit is an independent and objective function, provided by an external party and is able to provide objective assurance over the effectiveness and reliability of the financial accounts and systems and controls.

Whilst the Board and management are ultimately responsible for the financial information, external audit provides assurance in relation to the integrity of the financial reports. The audit committee is specifically charged to work with the external auditors on the integrity of the financial systems and financial information. The Bank has appointed PwC for external auditing purposes.

6. The risk register

The risk register is the primary tool used to summarise the Bank's risks and the controls used to manage them. For each type and sub-type of risk it details:

- The Bank's assessment of the probability of a risk event occurring and the likely financial impact of that event ('the inherent risk');
- The controls that have been put in place to prevent the occurrence of such an event or mitigate its impact; and
- An assessment of the reduced probability and/or impact of the risk event as a result of the controls ('the residual risk').

The impact, probability and control of risk are defined through the use of quantitative and qualitative measures. Quantitative measures are aligned to the risk appetite and related EWIs & KRIs. The Bank regularly tests its controls to ensure they are still adequate and effective.

At the monthly Risk and Operations Committee, the level of cyber risk on the Bank is reviewed. The Bank has implemented various software and infrastructure platforms to monitor and prevent any unusual use of email, internal systems and network behaviour.

For business continuity the Bank runs a test, via the call tree, at least once a year where staff are locked out of the office and are required to access systems via Citrix secure servers and then operate from home, location in and around London or from a selected command centre.

In terms of quality of staff, all employees and non-executive directors have to complete online training and testing covering Conduct, Fraud, AML, Health and Safety etc. The results of the testing are reviewed by the compliance team together with the CEO.

At least annually, the CEO and Head of Human Resources benchmark all staff salaries and compensation to ensure that compensation is at a suitable level. The results of the benchmarking are reviewed with the Remunerations and Nominations Committee.

Impact, probability and control mechanisms are each assigned a severity score ranging from high to low. Five levels are used to provide sufficient granularity to differentiate the probability and impact of different risks. The factor of impact and probability define the inherent risk (i.e. as if no control is implemented) and the factor of all 3 scores defines the residual risk.

Resulting inherent and residual risk scores are then bucketed into 3 resulting factor ranges: high, medium and low, and provided a RAG status providing a visual indication of key risks.

The risk dashboard records the impact, probability and control scores identified in the risk register. It also monitors a range of quantitative control measures that map to KRIs identified in the risk register and include all risk appetite limits, with qualitative commentary supporting. Data is collated from daily MI and EWIs to update the risk dashboard on a monthly basis as a minimum.

The risk function's overarching responsibilities are to monitor, assess and report on the Bank's key risks. The function is overseen by the CRO, who is supported in his role by the relevant risk teams.

Monthly MI related to the bank's risks is submitted to the relevant committee on a monthly basis. Risk and Operations Committee's minutes and relevant papers are provided to the Board.

The Board also receive summary reports from the CFO on financial risks and from the CRO on all other risks. Some risks may not be reviewed at management level but reported to the Board by the CEO, such as succession planning and other key employee matters.

The Head of Compliance has overall responsibility for coordinating the management of the Bank's compliance risks and financial crime risks and works closely with the first line to ensure these risks are identified and managed at an early stage.

The Bank has zero appetite for regulatory breaches. The compliance function provides advice and conducts regular monitoring, reviews and assessments of the first line to ensure business is conducted in line with regulatory and legal obligations.

The Finance function has an important role in the internal control and risk management framework. With liquidity and growth being two of the key risks the Bank faces, the generation of value must be countered with reasonable cost and effective capital allocation. Te Finance function also plays a role in monitoring Treasury activity.

The management and control of the Finance function is overseen by the CFO. The CFO is responsible for reporting on the financial performance against the Bank's key financial targets / indicators and undertaking financial projections based on the Bank's performance, taking into consideration the macro-economic environment, and the Bank's business and/or sales pipeline.

The CFO also provides information based on strengths, weaknesses, opportunities and threats, such as the potential impact of interest rate changes, capital adequacy forecasting, liquidity management, and new funding sources together with each of their associated financial consequences. The CFO will ensure all reporting is timely, transparent, not overly complex, and complies with all regulatory reporting requirements.

Finance presents various financial projections to reflect the expected breakdown of liabilities and assets, and prepares stress testing and scenario analysis to determine the impact on the Bank.

The CFO has responsibilities for systems and controls to ensure segregation of duties between initiation, binding contract commitments, making payments, and accounting for and reconciling transactions. The CEO and CRO maintain oversight of transactions and the risk management activities.

In certain circumstances the Bank also seeks external third party support to support its validation of key risks and controls.

7. Key risks

As the Bank has grown and continues to aspire to grow further, the CEO, CRO and executive management have continued to consider the RMF, such that it remains proportionate to the size and complexity of the Bank and fit and proper in relation to the risks the Bank is exposed to as a result of the business it undertakes.

The Bank's strategy, risk appetite and RMF provide the foundation of the capital assessment having determined the maximum exposure the Bank would accept in the pursuit of value. In turn, both current and potential future risks have been identified and the process in which they are identified, assessed, monitored and controlled has been outlined.

A robust governance framework with clear allocation of duties and responsibilities, appropriate governance forums/committees, reporting and breach management/escalation processes, and the documentation and assessment of the types of risks the Bank undertakes, have also been established and is continually under review for improvements.

The Bank has determined and assessed its largest risks across all business units, determining the probability of the risk occurring and the impact it may have on the Bank, its depositors and key stakeholders.

The calculation of an inherent risk rating based on the impact and probability of the event occurring determines the approach to risk management, with subsequent controls and mitigating actions being put in place resulting in a residual risk rating. The risk scores give rise to Red, Amber, Green ('RAG') ratings. Residual risk ratings are encapsulated within the Risk Appetite Statement which includes limits and tolerances. These assessments remain a manual process undertaken by senior management and the Board. Each of the individual risks sit behind Risk Maps that are reviewed at least annually by the Board. These maps are then used to quantify the Pillar 2a capital requirement for the risks not considered under Pillar one calculations. Whilst all risks not considered under Pillar 1 are considered in quantifying Pillar 2, the Bank has assessed that credit and operational risk generally requires the greatest capital allocation.

The Bank considers that the key risks are appropriately understood and well managed, through policies, procedures, oversight committees and related systems and controls. These risks are adequately covered by the Bank's capital position, with further commitment from the Investor for additional capital, if required.

The Bank seeks to take risk through the proposed lending activities but in all other areas looks to understand, mitigate, and control risk, taking into consideration a growing maturity level of empirical data to support further development of its approach.

Executive management and the Board believe that there are ten key risk categories that require management and mitigation (some of these risks are mitigated by certain key features of the model and/or supported by principal controls). Each of these risks has been identified through a robust risk management assessment, as described in the RMF, and is managed on a daily basis. Please note that although market risk is considered one of The Bank's key risk categories, no Pillar 1 Market Risk charge is applied as per Article 351 of the CRR (firms are not required to calculate an FX risk requirement if their open FX position is less than 2% of capital resources). Market risk in the form of interest rate risk in the banking book ("IRRBB") is considered under Pillar 2A.

7.1 Strategic risk

Several key risks have been identified as the Bank moves beyond its initial growth phase and strives to achieve sustainable profitability. The highest level of strategic risk arises from the Bank's ability to attract customers in line with the strategy of the Bank and to achieve a level of harmony with the long term aspirations of the Investor.

Within the Bank itself, further risks and their control mechanisms are monitored through the flow of effective MI, communication and coordination across all business areas to ensure objectives are being met without unnecessary or unexpected risk. Additionally there is an inherent risk that the investment in additional resources, new products and technology do not translate into a profitable business.

By way of mitigation the executive management have significant experience in the trade and asset finance industry. This has been augmented by the recruitment of experienced staff in the middle management roles and of five experienced independent non-executive Directors. The Bank's five-year plan was built with formal detailed input on a bottom-up basis from the heads of each department and then shared across all of the Bank staff. The strategy has also been built around analysis of relevant markets and projections based on evidence-based assumptions and conservative growth estimates incorporating stress testing to understand the viability and sustainability of the plan. The strategy is presented to the full Board annually in a full day session with challenges throughout the day.

7.2 Earnings risk

Risks to the Bank's earnings can arise from a reduction in income, driven by a lack of asset generation, or alternatively, an increase in either expenses or credit losses. In the case that asset growth does not match the forecasts it is possible that Bank will be unable to cover its expense base. There is a minimum requirement to cover the costs of significant systems and controls required to deliver and maintain products, the core banking system, and those which the Bank relies upon to operate, as well as key roles within the Bank to ensure it is able to generate profits which allow it to operate without further Investor contribution.

The risk to earnings is heavily correlated to strategic risk and therefore any mitigating factors identified for strategic risk apply to earnings risk. The Bank has experienced limited credit losses and has developed internal rating models that are consistent with IFRS9 requirements. These models are used to predict expected credit losses, which are then incorporated into the business plan. The risk of not attracting customers is mitigated by a well-developed plan to expand through the supply chain, with an introductions network being established and the opening of new offices in Cardiff and Leeds to further enhance direct marketing. The cost base is being expanded gradually in line with growth, to prevent cost overruns linked to a lower than anticipated growth trajectory.

7.3 Credit and concentration risks

Credit risk is the risk of financial loss resulting from a borrower or counterparty failing to meets its financial obligation to the Bank. The Bank is primarily exposed to credit risk, through a number of key aspects namely credit exposures to its clients and concentration risk. Experience through previous downturns shows that the failure of a single borrower, a loss from poor decision making and being overly exposed to one counterparty can lead to a significant write offs or provisions, and therefore can have a material effect on the Bank's profitability. For the Bank, this typically means taking payment risk on a counterparty where the Bank is financing trade and working capital that are secured by receivables, inventory and other assets. Concentration risk arises from the Bank having a limited range of sectors, asset classes and geographical regions within its asset book.

The Bank's approach has not materially changed and it continues to take a low risk, short-term and self-liquidating business model and manage this through strong credit and risk management processes. As well as regulatory limits, the Board have also set internal limits, tolerances and triggers to allow further control over the risks presented through lending. For example, any large exposures are limited to 20% of eligible capital and these are tracked on a daily basis. Financing to counterparties is on terms that are short dated self-liquidating transactions where a strong and independent credit assessment has been undertaken. Credit reviews are typically updated at least annually. Internal credit ratings, designed to predict credit losses, are also updated at least annually. For exposures past maturity probability of default ('PD') and loss given default ('LGD') are assessed on a monthly basis. The credit team also meets on a monthly basis to review portfolio data and individual exposures.

In addition, the Bank has a Credit Sanctioning Committee which reviews and can approve all bank / non-bank financial institution exposure and corporate exposures up to a maximum of the lower of £15 million or 17.5% of the Bank's Tier 1 Capital. Exposures of above £15 million or 17.5% of Tier 1 capital are reviewed further and are subject to Board approval. The Senior Risk Officers have a delegated authority (for corporate entities) of £3.75 million each and a combined authority (for corporate entities) of £7.5m allowing them to review and approve credits. The Head of Credit has a delegated authority (for corporate entities) of £7.5 million to review and approve credits.

7.4 Market risk

Market risk is the risk that changes in market rates negatively impact the earnings or market value of the Bank's assets and liabilities. The Bank runs multi-currency books with liabilities raised in GBP, EUR and USD. The Bank uses FX Swap markets to fund core assets outside of these currencies (principally USD). This adds cross currency funding risks; the risk of adverse movements in FX swap levels increasing funding costs, either as a consequence of market distortion or non-parallel shifts in underlying interest rates. The Bank is also exposed to outright FX risk arising from interest generated on non-GBP assets and the translational impact of exposures versus limits, where it operates within a 5% tolerance threshold.

The Bank has set cross currency basis risk and outright FX risk limits, and exposure against these limits is circulated to the Head of Treasury, CFO and ALCO and managed by Treasury on a daily basis. Changes to IRRBB management outlined below and Treasury initiatives to reduce reliance on cross currency funding by specifically targeting USD liabilities directly from retail (deposit pool platforms) and wholesale (Credit Union and Interbank money markets) will reduce this risk.

7.5 Interest rate risk

Interest rate risk (IRR) is the risk that arises when there is an imbalance between the re-pricing dates of interest bearing assets, liabilities and off balance sheet items.

The Bank has shifted the management of Interest Rate Risk in the Banking Book ('IRRBB') from a single net consolidated exposure limit (FSA017 methodology), to limits set per currency and per time bucket.

A single consolidated net limit does not protect the Bank from non-parallel shifts in currency specific curves or diverging international interest rate trends. Operating at a currency level reduces the cross currency risk i.e. hedging a long GBP rate exposure with short USD rate exposure. Time bucket limits reduce the exposure to non-parallel shifts in yield curves i.e. it limits hedging long-tenured over-borrowed positions with short tenured over-lent exposures. Treasury uses a combination of asset purchases and interest rate derivatives to maintain IRRBB within the Board limit of £2million.

7.6 Liquidity risk

Liquidity 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 risk to capital resources of being able to secure that liquidity only at excessive cost is specifically addressed by the Bank by both maintaining a high level of liquid assets and holding the majority of these assets in the form of government and local authority bonds. Access to the Bank of England account provides further comfort.

The Bank regularly uses the Bank of England Reserve Account and has access to the Discount Window Facility ('DWF'). In addition to the holdings of HQLA prescribed under the LCR requirements, the Bank maintains a conservative approach to the investment of short term liquidity; the majority of bonds held within the Treasury investment portfolio qualify as Level A & B collateral at the DWF. Excess short term cash is placed in highly rated (Prime and HQLA eligible) Money Market Funds affording intraday access. The Bank manages its weighted average life of liabilities to assets at above the Board limit of 110% and targets a loan to deposit ratio of a maximum 80% (Board limit 100%).

7.7 Adequacy of capital risk

The risk of maintaining adequate capital is addressed by a combination of: 1) careful management of the forward pipeline, based on probability of a potential transaction meeting the Banks' credit risk appetite and strategic aims, such that capital requirements are projected on a three month rolling basis. This is subject to the Bank Management's target capital buffers being maintained at all times; and 2) forward projection of earnings, including the impact of loss making periods on the Bank's capital position.

7.8 Conduct risk, compliance and regulatory risk

This is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales and marketing processes or operational delivery. Conduct risk also captures potential damage to the Bank's brand resulting in a measurable decrease in financial performance. Furthermore, risks include where Bank does not comply with changes in the regulatory environment or that regulatory restrictions affect the strategic direction of the business.

The Bank has defined a zero tolerance for conduct, compliance and regulatory risks. All identified conduct and compliance related events are reported to the Risk and Operations Committee, Board Risk Committee and the Board . Compliance is achieved through ongoing monitoring, review programmes and continued oversight, monitoring and assessment of financial promotions, culture, staff training, policy, product performance and conduct risks.

Compliance maintains records, which highlight the above mentioned identified items:

- Registers which monitor controls around financial crime (PEP registers, register of fraud attempts, suspicious activity, court and restraint orders and a record of staff awareness and training)
- Complaints received, for which a formal register is to be implemented
- Conduct MI, for which a formal register is to be implemented

Compliance has anti-money laundering systems and controls in place, and there are clearly defined processes around the due diligence that needs to be undertaken for each type of customer and trade. Appropriate systems such as Dow Jones and Swift Screening are used to ensure that regulatory standards are being adhered to.

Following the optimisation rules Compliance has plans to improve horizon scanning activities to remain up to date with PRA and FCA strategic initiatives, and Compliance's other oversight activities include staff training, the Senior Managers & Certification Regime, conduct risk, data protection, and regular review of Policies and Procedures. The Bank delivers regular training and culture updates, including updates on the FCA's and PRA's business plans. The CEO delivers regular Town Hall updates, at which culture and conduct is discussed in a transparent and forthright manner with all staff in attendance.

The Bank has a dedicated handling process and contact for complaints for its eligible complainants, through its outsource providers. All complaints are addressed within the regulatory timeframe and requirements. The CEO and Head of Compliance review the complaints outputs and analysis is undertaken of complaints received.

All regulatory communication is logged through the Head of Compliance and presented as part of the Board pack. The Board's standard returns contain regulatory updates, and staff and Directors receive scheduled training and development programs. Relevant Policies and Procedures are required to be reviewed annually or more frequently by Compliance and updates are advised to the Board for approval where required. Compliance also maintains a register of regulatory breaches. The compliance function is required to conduct monitoring reviews to identify areas of regulatory compliance concerns. The audit committee receives compliance and financial crime returns at each meeting, which contain information and returns on actions to control and identify any areas of concern or breaches.

The Bank has a number of outsourcing arrangements which are critical to the running of the business and it applies ongoing risk based oversight and monitoring of these activities to minimise the risk, and retain full accountability for the outsourced activities.

7.9 Legal risk

Receivable Purchase documentation was drafted with the assistance of an experienced trade finance team at third party law firm, with an ongoing review by the Bank legal department (this is an outsourced service governed by an appropriate service level agreement). Where new products are introduced, appropriate legal counsel will be sought to ensure that documentation is drafted in an appropriate manner; again the legal department managing that relationship on our behalf, subject to any conflict of interest.

In addition to contractual risk, legal risks can arise from fraudulent activity against the Bank both internally and externally through misappropriation of funds, money laundering or an attack on the Bank's website. The Bank has appointed an experienced MLRO and also utilises the legal department who work closely with the compliance department and external advisers. The compliance department ensures that policies and procedures are kept up-to-date in order to mitigate existing and new risks. Understanding of the policies and procedures are tested through internal employee training on a quarterly basis with external review provided for specialist changes such as the GDPR.

The Bank has a zero tolerance for litigation against it. The Bank has employed the appropriate skill base and mandatory online training modules are completed when required. A clearly defined process of escalation is set for any issues that arise to ensure the Risk and Operations Committee and the Board are aware of potential issues. The Compliance and Risk functions oversee performance against contracts through tracking contractual performance against MI received. Preventative controls exist in the form of the use of industry standard documents along with reviews of the contracts by third party law firms.

7.10 Operational risk

Operational Risk arises from failures of internal processes and procedures, people risk, systems risk, external events and legal risks that cause the Bank monetary loss, reputational damage, service disruption or customer detriment. Furthermore, operational risk includes outsourcing risk and key man risk.

Cyber Risk The Bank, together with all institutions is at constant risk of a malicious cyber-attack with the intent of criminal or unauthorised use of electronic data. The threats to the Bank include the risk of financial loss, disruption or damage to the reputation. The Bank monitors cyber risk through malware high security software where attacks are stopped at source. The type and frequency of attempted attacks are tracked on a daily basis and reported monthly at the operational risk committee. Recent investment in multiple security platforms that include an A.I (Artificial Intelligence) software that detects and neutralises threats enabling the defence of the Banks network and critical operations. In order to ensure the Banks external and internal network security protocols are robust a 3rd party network intrusion company undertakes annual penetration testing on the Bank network to highlight if any vulnerabilities exist or are identified. These results are presented to the Board on a yearly basis.

Dependency upon third party providers The Bank is dependent upon third party providers for critical services including both IT infrastructure and retail deposit gathering. In the event these are services are not performed to the agreed standards, the Bank is prone to regulatory scrutiny and poor customer service.

In the event of poor performance, the Bank has key performance indicators and Service Level Agreements in place with the outsourced providers and within these clear step-in rights if things are not corrected within an acceptable timeframe.

Compliance, Conduct and Regulatory Risk The Bank seeks to employ skilled personnel able with the experience and guidance to support and interpret changes in rules and regulations. Management and Board have access to third party assessments of key changes (lawyers, consultancy and financial firms), along with a more proactive approach to change from the regulators. Actions or changes to regulation affecting the Bank are brought to the attention of senior management and the Board. The Bank has defined zero tolerance for conduct, compliance and regulatory risk.

Fraud The Bank has no appetite for fraud and takes strong measures through clear policies and procedures that support the internal control framework required to run and operate the Bank. Likewise, there is regular training provided through compliance and e-learning training to further assist. Any internal or external fraud is reported through compliance to take relevant steps.

Business Interruption and Continuity The Bank has a disaster recovery plan in place that outlines the actions required of all staff in such a situation. The Bank has the ability to show, and connect 24/7 as long as an employee has an internet connection. Additionally, the Bank has externally hosted servers meaning that the Banks servers are replicated. Despite a strong control environment in which any downtime following a disruptive event would be minimal (6 hours).

Reputation, Marketing & Communications The External Marketing and Communications Strategy reflects the size and scope of the Bank. The Bank has third party support in delivering and executing its brand. It has in place brand values and a communication strategy identified and articulated across the Bank and externally. Investment has been made in the website and the Bank brand is out in the market. The Bank measures and tracks the hits on the website and as we grow, monitoring of the calls through our third party providers.

People Risk The CEO and Executive Management regularly review the composition of the Bank employee base. The Chairman and CEO have put in place a succession plan that reflects the size and proportionality of the Bank today. Compensation is important in the retention of key people in the early stages of the Bank's plan. The succession plan outlines the key people risk and ability to cover in times of challenge. As the Bank grows, there will be the tendency to have better overlap of cover of roles and expertise but this will remain a key risk for the foreseeable future.

8. Key metrics

	30 April 2019	31 January 2019	31 October 2018	31 July 2018
Available capital (amounts)				
Common Equity Tier 1 (CET1)	121,718	117,723	111,426	91,529
Fully loaded ECL accounting model				
Tier 1	118,854	114,935	109,095	91,529
Fully loaded ECL accounting model Tier 1				
Total capital	120,329	114,935	109,095	91,529
Fully loaded ECL accounting model total capital	120,329	114,935	109,095	91,529
Risk-weighted assets (amounts)				
Total risk-weighted assets (RWA)	523,385	530,496	476,943	360,864
Total risk-weighted assets (pre-floor)	523,385	530,496	476,943	360,864
Risk-based capital ratios as a percentage of RWA				
CET1 ratio (%)	24%	22%	23%	25%
Fully loaded ECL accounting model CET1 (%)	23%	22%	23%	25%
CET1 ratio (%) (pre-floor ratio)				
Tier 1 ratio (%)	24%	22%	23%	25%
Fully loaded ECL accounting model Tier 1 ratio (%)	23%	22%	23%	25%
Tier 1 ratio (%) (pre-floor ratio)				
Total capital ratio (%)	24%	22%	23%	25%
Fully loaded ECL accounting model total capital ratio (%)	23%	22%	23%	25%
Total capital ratio (%) (pre-floor ratio)	24%	22%	23%	25%
Additional CET1 buffer requirements as a percentage of RWA	6%	5%	6%	8%
Capital conservation buffer requirement (2.5% from 2019) (%)	3%	3%	2%	2%
Countercyclical buffer requirement (%)	1%	1%	—%	—%
Bank G-SIB and/or D-SIB additional requirements (%)	—%	—%	—%	—%
Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	9%	9%	8%	10%

	30 April 2019	31 January 2019	31 October 2018	31 July 2018
CET1 available after meeting the bank's minimum capital requirements (%)	6%	9%	10%	8%
Basel III leverage ratio				
Total Basel III leverage ratio exposure measure	854,665	846,338	783,869	534,885
Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	14%	14%	14%	17%
Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	14%	14%	14%	17%
Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	14.20%	13.91%	14.21%	17.11%
Liquidity Coverage Ratio (LCR)				
Total high-quality liquid assets (HQLA)	301,310	285,541	281,320	155,789
Total net cash outflow	3,802	3,835	1,101	12,065
LCR ratio (%)	7924%	7446%	25558%	1291%
Net Stable Funding Ratio (NSFR)				
Total available stable funding	775,130	763,575	626,664	491,051
Total required stable funding	285,578	336,783	229,530	228,943
NSFR ratio	271%	227%	273%	214%

9. Leverage

The Bank has established a leverage limit, calculated in accordance with the Basel leverage ratio, of 10%, with a trigger at 6%, which are above the regulatory minimum ratio of 3%. This is calculated as Tier 1 Capital divided by gross balance sheet exposures.

Accounting assets vs leverage ratio exposure measure	2019	2018
	£'000	£'000
Total assets as per published financial statements	856,042	606,675
Other adjustments	(1,377)	(1,802)
Leverage ratio exposure	854,665	604,873
Leverage ratio common disclosure		
On-balance sheet items (exc derivatives)	855,536	604,771
Asset amounts deducted in determining Tier 1 Capital	(1,377)	(1,802)
Total On-balance sheet exposures (exc derivatives)	854,159	602,969
Derivative exposures		
Replacement cost associated with all derivative transactions	—	—
Add-on amounts for Potential Future Exposures ("PFE")	3,242	1,383
Total derivative exposures	3,242	1,383
Capital and total exposures		
Tier 1 capital	121,718	92,024
Leverage ratio total exposure measure	854,665	604,873
Leverage Ratio	14.2%	15.2%

10. Asset encumbrance

Asset encumbrance is the process by which assets are pledged in order to secure, collateralise or credit-enhance a financial transaction from which they cannot be freely withdrawn.

The Pillar 3 asset encumbrance disclosure template, shown below, has been compiled in accordance with PRA and EBA regulatory reporting requirements, specifically the PRA's supervisory statement SS11/14 (CRD IV: Compliance with the EBA's Guidelines on the disclosure of the encumbered and unencumbered assets).

Template A: Encumbered and unencumbered assets

30 April 2019

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	11,930	11,930	844,112	844,112
Equity instruments			—	—
Debt securities			121,279	121,279
of which: issued by general governments			71,275	71,275
Other assets	11,930	11,930	722,833	722,833

30 April 2018

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	897	—	605,778	—
Equity instruments	—	—	101,956	—
Debt securities	—	—	76,904	76,904
of which: issued by general governments	—	—	76,904	76,904
Other assets	897	—	426,918	—

11. Own funds

In compliance with the requirements under Article 437 CRR, detailed below is the regulatory capital position as of 30 April 2019. No prudential filters are required to be applied for the purposes of these calculations.

An abbreviated Template A has been utilised in the presentation of these metrics due the highly simplified nature of the bank's capital position which would otherwise show nil value across most of the template criteria.

ABBREVIATED TEMPLATE A	30 April 2019	30 April 2018
	£'000	£'000
Common Equity Tier 1 (CET 1) capital	132,998	102,998
Retained Earnings	(11,210)	(9,069)
Other reserves	(70)	(103)
Total Common Equity Tier 1 (CET 1) capital	121,718	93,826
Deductions from common equity Tier 1 capital	—	—
Intangible Assets	(1,377)	(1,802)
Total Adjusted Common Equity Tier 1 (CET 1) capital	120,341	92,024
Risk Weighted Assets	523,385	385,407
Capital ratio	23.0%	23.9%

12. Differences between accounting and regulatory scopes

Differences between Accounting and Regulatory Scopes of Consolidation and the mapping of financial statement categories with regulatory risk categories criteria.

	A	C	G
30 April 2019		Carrying values of items:	
Assets	Carrying values as reported in published financial statements	Subject to credit risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	197,597	197,597	
Loans and advances to banks	35,270	35,270	
Financial assets designated at fair value	40,613	40,613	
Financial assets designated at fair value through other comprehensive income	71,615	71,615	
Financial assets held at amortised cost	9,456	9,456	
Loans and advances to customers	433,759	433,759	
Derivative financial assets	506	506	
Tangible assets	62,745	62,745	
Intangible assets	1,377		1,377
Other assets	3,104	3,104	
TOTAL ASSETS	856,042	854,665	1,377
LIABILITIES			
Customer accounts	726,678		726,678
Derivative financial liabilities	1,784		1,784
Other liabilities	5,861		5,861
TOTAL LIABILITIES	734,323		734,323

30 April 2018	A	C	G
		Carrying values of items:	
ASSETS	Carrying values as reported in published financial statements	Subject to credit risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central bank	56,070	56,070	—
Loans and advances to banks	9,538	9,538	—
Financial assets designated at fair value	101,956	101,956	—
Financial assets designated at fair value through other comprehensive income	76,904	76,904	—
Loans and advances to customers	301,261	301,261	—
Derivative financial assets	213	213	—
Tangible assets	52	52	—
Intangible assets	1,802	—	1,802
Other assets	58,879	58,879	—
TOTAL ASSETS	606,675	604,873	1,802
LIABILITIES			
Customer accounts	506,293	—	506,293
Derivative financial liabilities	3,206	—	3,206
Other liabilities	3,350	—	3,350
TOTAL LIABILITIES	512,849	—	512,849

13. Overview of risk weighted assets

(£)	30 April 2019	30 April 2018
RWA		
LOANS AND ADVANCES TO BANKS	4,108	1,345
LOANS AND ADVANCES TO CUSTOMERS (TOTAL)	438,687	301,261
LOANS AND ADVANCES TO CUSTOMERS (UNRATED)	423,902	301,261
LOANS AND ADVANCES TO CUSTOMERS (IN DEFAULT)	14,785	—
EQUITY SHARES AND OTHER VARIABLE YIELD SECURITIES	10,000	20,391
TANGIBLE FIXED ASSETS	62,745	52
MARGIN PLACED	4,661	179
OTHER ASSETS	2,083	60,623
OFF BALANCE SHEET - UNDRAWN COMMITTED FACILITY	231	456
DERIVATIVES	870	1,098
TOTAL RWA	523,385	385,407
PILLAR 1 CREDIT RISK REQUIREMENT	41,871	30,832

14. Total and average net amount of exposures

	30 April 2019	
	Total exposures £'000	Average exposures £'000
Central governments / banks	256,391	201,334
Multilateral development banks	10,332	12,422
International organisations	2,149	7,556
Institutions	36,733	22,585
Corporates	435,986	405,816
Claims in the form of CIU's	40,548	53,940
Other	77,145	72,211
Total	**859,284**	**775,864**

	30 April 2018	
	Total exposures £'000	Average exposures £'000
Central governments / banks	108,767	87,070
Multilateral development banks	13,155	11,709
International organisations	10,566	8,025
Institutions	9,538	24,606
Corporates	301,261	162,880
Claim in the form of CIU's	101,956	55,774
Other	61,432	16,017
Total	**606,675**	**366,081**

15. Geographical breakdown of exposures

30 April 2019

	UK	EUROPEAN (WEST) AREA	EAST ASIA AND PACIFIC	MIDDLE EAST AND NORTH AFRICA	SOUTH AMERICAN AND CARIBBEAN	NORTH AMERCIA	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS							
Cash and balances at credit institutions	232,867	—	—	—	—	—	232,867
Loans and advances to customers	259,752	631	97,036	75,492	3,694	395	437,001
Financial assets designated at fair value through profit and loss	40,613	—	—	—	—	—	40,613
Financial assets designated at fair value through other comprehensive income	71,615		—		—		71,615
Financial assets held at amortised cost	9,456						9,456
Derivative financial assets	506	—	—	—	—	—	506
Other assets	2,315	—	—	—	—	—	2,315
TOTAL FINANCIAL ASSETS	617,125	631	97,036	75,492	3,694	395	794,373
TOTAL NON FINANCIAL ASSETS	64,911	—	—	—	—	—	64,911
TOTAL ASSETS	682,036	631	97,036	75,492	3,694	395	859,284

30 April 2018

	UK	EUROPEAN (WEST) AREA	EAST ASIA AND PACIFIC	MIDDLE EAST AND NORTH AFRICA	SOUTH AMERICAN AND CARIBBEAN	NORTH AMERCIA	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS							
Cash and balances at credit institutions	62,069	1,636	—	1,903	—	—	65,608
Loans and advances to customers	157,397	174	100,646	42,237	—	807	301,261
Financial assets designated at fair value through profit and loss	—	101,956	—	—	—	—	101,956
Financial assets designated at fair value through other comprehensive income	10,017	52,042	—	10,110	—	5,734	76,904
Derivative financial assets	213	—	—	—	—	—	213
Other assets	57,919	—	—	—	—	—	57,919
TOTAL FINANCIAL ASSETS	287,615	154,809	100,646	54,250	—	6,541	603,861
TOTAL NON FINANCIAL ASSETS	2,814	—	—	—	—	—	2,814
TOTAL ASSETS	290,429	154,809	100,646	54,250	—	6,541	606,675

16. Concentration of exposures by industry or counterparty type

UNDERLYING GOODS & SERVICES	30 April 2019	30 April 2018
Production of electricity	34.00%	4.47%
Wholesale of metals and metal ores	27.00%	24.81%
Sales of fuels, ores, metals and industrial chemicals	11.00%	4.06%
Manufacture of iron and steel	6.00%	44.47%
Non specified wholesale trade	6.00%	—%
Aluminium production	4.00%	—%
Sale of a variety of goods	3.00%	13.26%
Manufacture of motor vehicles	3.00%	4.15%
Manufacture of basic pharmaceutical products	2.00%	2.06%
Manufacture of cereal based foods	1.00%	—%
Manufacture of cement	1.00%	—%
Manufacture of other inorganic based chemicals	1.00%	0.32%
Wholesale of grain, seeds and animal feeds	1.00%	2.40%

17. Maturity of exposures

30 April 2019

	MONTHS			YEARS		
	<3 £'000	3-6 £'000	6-12 £'000	1-5 £'000	UNDATED £'000	TOTAL £'000
ASSETS						
Cash and cash equivalents	232,867	—	—	—	—	232,867
Loans and advances to customers	288,565	40,194	3,242	105,000	—	437,001
Financial assets designated at fair value through profit and loss	40,613	—	—	—	—	40,613
Financial assets designated at fair value through other comprehensive income	36,200	8,607	26,808	—	—	71,615
Financial assets held at amortised cost	9,456	—	—	—		9,456
Derivative financial assets	506	—	—	—	—	506
Other assets	2,315	—	—	—	—	2,315
TOTAL FINANCIAL ASSETS	610,522	48,801	30,050	105,000	—	794,373
TOTAL NON FINANCIAL ASSETS	—	—	—	—	64,911	64,911
TOTAL ASSETS	610,522	48,801	30,050	105,000	64,911	859,284
LIABILITIES						
Customer deposits	330,537	112,778	123,057	160,306	—	726,678
Derivative financial liabilities	1,784	—	—	—	—	1,784
Accruals	4,289	—	—	—	—	4,289
Other liabilities	1,572	—	—	—	—	1,572
TOTAL FINANCIAL LIABILITIES	338,182	112,778	123,057	160,306	—	734,323

30 April 2018

	MONTHS			YEARS		
	<3 £'000	3-6 £'000	6-12 £'000	1-5 £'000	UNDATED £'000	TOTAL £'000
ASSETS						
Cash and cash equivalents	65,608	—	—	—	—	65,608
Loans and advances to customers	278,412	22,821	28	—	—	301,261
Financial assets designated at fair value through profit and loss	101,956	—	—	—	—	101,956
Financial assets designated at fair value through other	23,010	10,910	34,187	8,797	—	76,904
Derivative financial assets	213	—	—	—	—	213
Other assets	57,919	—	—	—	—	57,919
TOTAL FINANCIAL ASSETS	527,118	33,731	34,215	8,797	—	603,861
TOTAL NON FINANCIAL ASSETS	960	—	—	—	1,854	2,814
TOTAL ASSETS	528,078	33,731	34,215	8,797	1,854	606,675
LIABILITIES						
Customer deposits	152,604	211,170	142,519	—	—	506,293
Derivative financial liabilities	3,206	—	—	—	—	3,206
Accruals	2,715	—	—	—	—	2,715
Other liabilities	635	—	—	—	—	635
TOTAL FINANCIAL LIABILITIES	159,160	211,170	142,519	—	—	512,849

18. Credit quality of exposures

30 April 2019

	AAA TO AA £'000	A+ TO A- £'000	BBB+ TO BBB- £'000	UNRATED £'000	TOTAL £'000
ASSETS					
Cash and cash equivalents	232,867	—	—	—	232,867
Loans and advances to customers	8,651	—	—	428,350	437,001
Financial assets designated at fair value through profit and loss	40,613	—	—	—	40,613
Financial assets designated at fair value through other comprehensive income	71,615	—	—	—	71,615
Financial assets held at amortised cost	—	9,456	—	—	9,456
Derivative financial assets	—	—	—	506	506
Other assets	—	—	—	2,315	2,315
TOTAL FINANCIAL ASSETS	353,746	9,456	—	431,171	794,373
TOTAL NON FINANCIAL ASSETS	—	—	—	64,911	64,911
TOTAL ASSETS	353,746	9,456	—	496,082	859,284

30 April 2018

	AAA TO AA £'000	A+ TO A- £'000	BBB+ TO BBB- £'000	UNRATED £'000	TOTAL £'000
ASSETS					
Cash and cash equivalents	65,608	—	—	—	65,608
Loans and advances to customers	—	—	—	301,261	301,261
Financial assets designated at fair value through profit and loss	101,956	—	—	—	101,956
Financial assets designated at fair value through other comprehensive income	76,904	—	—	—	76,904
Derivative financial assets intangible assets	—	—	—	213	213
Other assets	—	—	—	57,919	57,919
TOTAL FINANCIAL ASSETS	244,468	—	—	359,393	603,861
TOTAL NON FINANCIAL ASSETS	—	—	—	2,814	2,814
TOTAL ASSETS	244,468	—	—	362,207	606,675

19. Non performing and forborne exposures

For the financial year end 30 April 2019 specific provisions of £533k (nil: 2018) were recorded. There were no counterparties to whom we had extended forbearance.

At 30 April 2019 the Bank had past due exposures of £72m of which £8m was over 90 days past due and £13m impaired. The Bank believes that these exposures remain collectible.

The IFRS 9 provision held by the Bank at 30 April 2019 is disclosed in Note 8 of the financial accounts for the year ended 30 April 2019.

20. Remuneration

This statement sets out the disclosures required under the requirements as they apply to the Bank. Relevant guidance is in the PRA rulebook, the FCA code, the Capital Requirements Regulations (Article 450) and from FCA guidance issued in 2015 on staff remuneration within the banking sector.

The Bank employed 45 members of staff as at 30 April 2019. The total staff costs of the Bank as disclosed in Note 7 of the Annual Report and Financial Statements were as follows:

	2019 £'000	2018 £'000
Wages and salaries including performance related pay	4,907	3,623
Social security	528	772
Pension	317	237
Other employment related costs	723	424
Staff costs	**6,475**	**5,056**

Meeting a minimum of three times a year, the minimum composition of the RNC is three members drawn from the independent non-executive directors who form the majority, and the non-executive directors.

Responsibilities of the RNC include appointments of directors and senior managers, composition, skills and experience of the board, remuneration policy and compensation package, recommendations on rewards and remuneration, oversight of the senior management performance appraisal process and advice on succession planning. The Bank has a performance award scheme for the benefit of its employees, which is classified as variable remuneration as defined by the code.

This is a discretionary scheme and awards are made based on individual and collective performance and based on the Bank's performance against its business plan as approved by the board.

The Bank has taken steps to assess the Material Risk Takers ('MRT') population. These are generally defined as staff who can have a material impact on the Bank's risk profile. Reference is made to a number of sources including a cross check to the SMR and certified population. An assessment is also made against qualitative and quantitative the criteria set out in the final Regulatory Technical Standard (RTS) published in the Official Journal of the European Union on 6th June 2014 .The process includes a management assessment of the potentially in-scope population prior to confirming the MRT population. Excluded individuals are;

i. Managers who fall in scope by virtue of reporting into the head of a material business unit but who do not have any direct authority to make risk decisions:

ii. Individuals who do not have authority make risk related decisions and / or who advise on routes to reduce risk such as the Bank's General Counsel: and

iii. Non-executive Directors who are not either (a) a chair of a board committee or (b) are not a member of the Banks external credit committee.

For the year ended 30 April 2019, 13 staff were identified as MRT (2018: 13 staff).The Bank applies the exemption from disclosing MRT remuneration on the basis that disclosure of that remuneration at a lower level would result in the individuals’ ready identification.

21. Interest rate risk in the banking book

In line with regulatory reporting requirements, as set by the EBA, the Bank considers a parallel 200 basis points (bps) movement to be appropriate for evaluating sensitivity to interest rate risk. The Bank estimates that a +/- 200bps movement in interest rates would have impacted the economic value of equity as follows:

+200bps - £1,301,000 positive (2018: £682,000 positive)

-200bps - £1,364,000 negative (2018: £722,000 negative)

In preparing the sensitivity analysis, the Bank has made certain assumptions consistent with expected and contractual re-pricing behaviour as well as behaviour repayment profiles of the underlying balance sheet items.