Cambridge & Counties Bank Limited

Capital Requirements Directive

Pillar 3 Disclosures

31 December 2021

Cambridge & Counties Bank
Built on understanding

1 Contents

2 Executive Summary

Introduction

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

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

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

The Bank does not have any subsidiaries.

Target Markets

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

Deposits

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

Distribution Network

Cambridge & Counties Bank provides lending products through a network of relationship managers who deal via business introducers as well as directly with customers. We seek to be straight forward and easy to deal with in our interactions with introducers and deliver a banking experience that attracts and retains customers. The Bank delivers a range of savings accounts via the internet, post, and savings intermediaries.

Financial performance

For the year ended 31 December 2021, the Bank had operating income of £44.9m (2020 £38.1m) and reported profit before tax of £18.5m (2020 £11.2m). Total Equity at 31 December 2021 was £164m (2020 £150m). The Bank employed an average of 183 FTE employees (2020 165) during the year. Full details on the Bank's financial results are reported in its statutory accounts which are published on its website (https://ccbank.co.uk/about-us/annualresults/).

Purpose

The Pillar 3 disclosures on capital and risk management at 31 December 2021, have two principal purposes:

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

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

3 Introduction

Legislative Framework

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

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

The CRD IV framework is supported by three pillars:

Pillar 1

The first pillar focuses on the determination of minimum capital requirements to support exposures to credit risk, counterparty credit risk, credit valuation adjustment risk and operational risk. (See Section 7)

Pillar 2

Pillar 2 addresses risks not covered in the Pillar 1 framework. To calculate its Pillar 2 capital requirements the Bank has performed a detailed assessment of the risks facing the Bank including the impact of a severe economic downturn. The Bank has calculated the amount of capital that it considers necessary to cover these risks within its Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP is reviewed and assessed by the PRA during its Supervisory Review and Evaluation Process.

Pillar 3

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

UK implementation of Basel Standards

During 2021, the PRA published two policy statements dealing with the implementation of Basel III; PS 17/21: 'Implementation of Basel standards' and PS 22/21 'Implementation of Basel standards: Final rules'. The policy statements cover a range of areas including definition of capital, market risk, counterparty credit risk, operational risk, large exposures, Liquidity Coverage Ratio, Net Stable Funding Ratio, reporting and disclosure. These standards are effective in the UK from 1 January 2022.

The PRA is due to release a Consultation Paper on UK implementation of Basel 3.1 in the second half of 2022 with the final reforms now expected to be introduced in 2023. Uncertainties therefore remain for a number of topics that will be subject to revisions under the final reforms to the Basel III framework.

The table below sets out where each table is presented.

EBA Template	Description	Location in document
-	Own Funds	Section 7
-	Leverage ratio	Section 7
	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Section 7
	LRCom: Leverage ratio common disclosure	Section 7
	LRSpl: Split-up of on balance sheet exposures	Section 7
	IFRS 9 Transition Template	Section 7
4	EU OV1 – Overview of RWAs	Section 8
	Interest rate risk in the banking book (IRRBB)	Section 8
	Countercyclical Capital Buffer – credit exposures requirement	Section 8
	Bank's exposure to credit risk (gross)	Section 9
	Credit risk exposure and capital requirement	Section 9
	Credit risk exposure by type	Section 9
	Credit risk exposure – on and off-balance sheet reconciliation	Section 9
20	Exposure by asset classes and risk weights (template 20: EU CR5)	Section 9
	Credit Risk on Sovereign and Institutions	Section 9
	Credit Risk on Loans and Advances	Section 9
	Geographical Breakdown of Secured Lending	Section 9
	Credit Quality – Past Due	Section 9
	Payment due status of loans and advances	Section 9
	Impairment provisions against loans and advances	Section 9
	Lending by product and type %	Section 9
	Counterparty Credit Risk – Derivatives	Section 9
28	Counterparty Credit Risk exposures by regulatory portfolio and risk weights (template 28: EU CCR3)	Section 9
	Operational Risk	Section 9
	Template A - Overview of encumbered and unencumbered assets	Section 10
	Template B – Collateral received	Section 10
	Template C - Source of Encumbrance - Encumbered assets/collateral received and associated liabilities	Section 10
	Liquidity Coverage Ratio	Section 11
1	EU LI – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Section 12
2	EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Section 12
3	EU LI3 – Outline of the differences in the scope of consolidation	CCB is a solo entity – Template is not applicable
5	EU CR10 – IRB	CCB uses the standardised approach – Template not applicable
6	EU INS1	CCB is not an insurance undertaking – this template is therefore not applicable
7	EU CRB-B – Total and average net amount of exposures	Section 12
8	EU CRB-C – Geographical breakdown of exposures	Section 12
9	EU CRB-D – Concentration of exposures by industry or counterparty types	Section 12
10	EU CRB-E - Maturity of exposures	Section 12
11	EU CR1-A – Credit quality of exposures by exposure class and instrument	Section 12
12	EU CR1-B – Credit quality of exposure by industry or counterparty types	Section 12
13	EU CR1-C- Credit Quality of exposures by geography	Section 12
14	EU CR1-D- Ageing of past-due exposures	Section 12
15	EU CR1-E – Non-performing and forborne exposures	Section 12

16	EU CR2-A- Changes in the stock of specific credit risk	Section 12
17	EU CR2-B- Changes in the stock of defaulted and impaired loans and debt securities	Section 12
18	EU CR3-CRM techniques – Overview	Section 12
19	EU CR4 – Standardised approach – Credit risk exposure and CRM effects	Section 12
21-24	IRB approach	CCB uses the standardised approach – Template not applicable
25	EU CCR1 – Analysis of CCR exposure by approach	Section 12
26	EU CCR2 - CVA capital charge	Section 12
27	EU CCR8 - Exposures to CCPs	Section 12
29-30	IRB / IMM templates	CCB does not use IRB/IMM approach – Template not applicable
31	EU CCR-5A – Impact of netting and collateral held on exposure values	Section 12
32	EU CCR5-B- Composition of collateral for exposures to CCR	Not applicable as no collateral for CCR exposures.
33	EU CCR6 – Credit derivatives exposures	Not applicable as no credit derivatives exposures.
34-38	Market risk templates	Not applicable as CCB does not have a trading book and therefore no market risk

Scope of Application

All the figures, governance, objectives and policies included within this document are as at 31 December 2021 (unless stated otherwise) and have been prepared to meet the disclosure requirements of CRD IV.

The Pillar 3 report disclosures are issued on an annual basis and are based upon the Bank's annual report and financial statements for the year ended 31 December 2021.

These disclosures have been reviewed by the Bank's Audit Committee and approved by the Board. The disclosures are not subject to external audit, although some of the information within the disclosures also appears in the audited 2021 financial statements. The processes for preparing this disclosure are laid out in the Bank's Pillar 3 Disclosures policy.

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

Reporting

The Bank's management pack contains details of key capital and liquidity metrics and is reported monthly to the Board. The Assets & Liabilities Committee (ALCO) and Risk & Compliance Committee (RCC) consider a more detailed range of capital and liquidity metrics monthly. Management also receive daily metrics. The Bank takes appropriate actions if triggers are breached.

Publication

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

Policy, Verification, Sign Off and Contact Details

The Bank's Pillar 3 disclosures have been verified and approved through internal governance procedures in line with the Bank's Pillar 3 Disclosure Policy. The Board reviewed and approved the disclosures in March 2022.

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4 Governance and Committees

How the business is managed

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

Structure of the Board and Board Committees

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

Structure of the Board and Board Committees

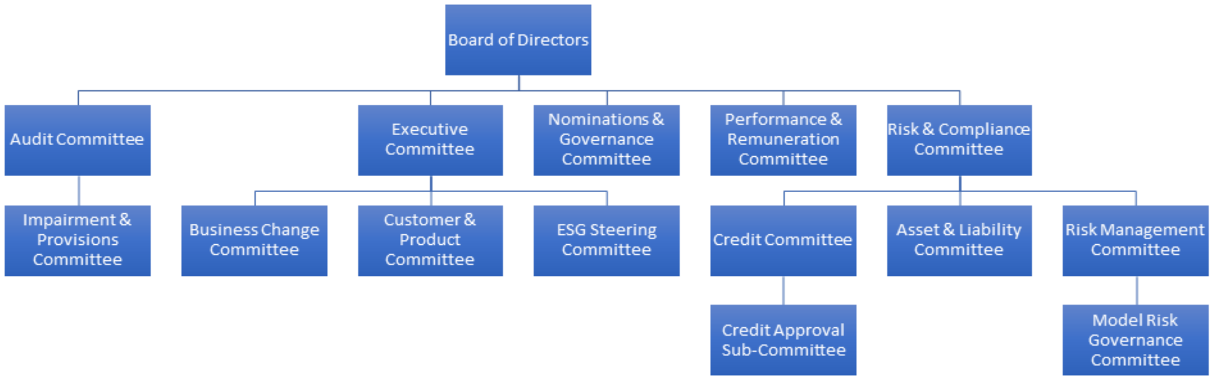
The Board has overall responsibility for the operations of the Bank and is comprised of four independent non-executive directors and two non-executive directors representing the interests of the owners. The non-executives are currently complemented by four executive director (ED) board members – the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

The Board has its own terms of reference and has specific committees appointed by it for the purposes of Nominations & Governance, Audit, Risk & Compliance, Performance & Remuneration, and Executive Management. Each committee has its own terms of reference.

To ensure independence, and reduce the potential for conflict of interest, the sub-committees (excluding the Executive Committee) are each comprised entirely of non-executive directors (NEDs), although individual EDs and others attend either as a matter of course or when requested to provide advice and guidance. A NED chairs each of the Board Committees except the Executive Committee which is chaired by the CEO.

The Bank continued its succession of non-Executive directors during 2021, with the planned retirement of Paul ffolkes Davis, the Vice-Chair in June 2021 and Ian Smith, the Chair of Audit in September 2021. Tim Harvey-Samuel, the Bursar of Trinity Hall, was appointed as a director by the Bank on 24 June 2021 as the successor to Paul ffolkes Davis. Further, Patrick Newberry was appointed as a director on 24 September 2021, succeeding Ian Smith as the Chair of Audit from 30 September 2021. These changes also led to the Caroline Fawcett being elected as the Senior Independent Director from 30 September 2021, stepping into the role previously held by Ian Smith and becoming the Chair of Nominations & Governance, following the departure of Paul ffolkes Davis in June 2021.

The diagram below sets out the Bank's Committee structure:



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

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

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

Committee	Chair	Purpose / Responsibilities relating to Risk Management
Board	Chairman (Simon Moore)	• Ensuring the framework of prudent and effective controls and risk management are maintained; • Review of the effectiveness of the risk and control processes to support the Bank's strategy and objectives; • Approval of regulatory documents including the Risk Appetites, ICAAP, ILAAP.
Audit	Patrick Newberry: NED	• Assisting the Board in carrying out their responsibilities relating to assuring the adequacy and effectiveness of the Bank's overall financial governance, control framework and processes, including compliance with legal, regulatory, and financial reporting requirements; • The appointment of internal and external audit and assessment of effectiveness.
Risk & Compliance	Nick Treble; NED	• Providing oversight and advice to the Board in relation to current and potential future risk exposures of the Bank and future risk strategy, including determination of risk appetite and tolerance; • Compliance with legal and regulatory requirements; • Assisting on such other matters as may be referred to it by the Board; • Promoting a risk awareness culture within the Bank; • Providing oversight of the Bank's risk and compliance functions and to receive and review reports on the Bank's compliance (including Anti-Money Laundering) with financial services regulations.
Performance & Remuneration	Caroline Fawcett; NED	• Overseeing the establishment and implementation of a remuneration policy for employees and Directors, which is designed to support long term business strategy and values of the Bank, as well as promoting effective risk management and compliance with applicable legal and regulatory requirements;

Committee	Chair	Purpose / Responsibilities relating to Risk Management
		• Reviewing performance and approval of remuneration arrangements as set out within its Terms of Reference.
Nominations & Governance	Caroline Fawcett; NED	• To consider and make recommendations in respect of appointments to the Board as well as the membership and chairmanship of Board Committees. • To monitor the governance arrangements of the Bank making recommendations to ensure that such arrangements are consistent with best corporate governance standards and to develop best practice.
Executive	Chief Executive Officer	• Implementation of the strategic objectives of the Bank in accordance with the Strategic Plan and compliance with the Company's Budget and Risk Appetite; • All day-to-day operational issues of the Bank which are delegated to the Business Management group; • Reviewing draft Board papers and recommending for submission to Board; • Approving the Terms of Reference and responsibilities of the Business Change Committee and the Customer & Product Committee and receive Minutes from these committees; • Ensuring all responsibilities are undertaken with due consideration given to the Bank's Strategic Plan, Board approved policies and good customer outcomes.
Assets & Liability (ALCO)	Chief Financial Officer (CFO)	• Control and stewardship of the Bank's balance sheet risks and capital management in executing its chosen business strategy; •Setting of limits in line with the Board's risk appetite, monitoring exposures and implementing controls across the dimensions of capital, credit, FX, funding and liquidity, and non-traded interest rate risk.
Risk Management	Chief Risk Officer (CRO)	• To oversee and monitor the risks (other than Liquidity, Capital, ALM or Credit risks) facing the Bank on a day-to-day basis • Specific responsibilities include operational risk, financial crime, conduct risk, operational resilience, legal risk and regulation. • Its key role is to provide the oversight, challenge, support and advice necessary to embed and maintain a robust risk management culture across the Bank. • To ensure that the Bank maintains an appropriate risk management culture and an effective Risk Management Framework • To review the findings of Risk & Compliance reviews and monitoring the remediation of outstanding action items • Oversight of the remediation of Internal Audit findings
Credit	Chief Lending Officer	• Manage and monitor the lending activities of the Bank on a day-to-day basis. • Formulating the Bank's lending policies, overseeing the Bank's solicitor and valuation panels, and monitoring the Bank's large exposures. The committee are also responsible for agreeing the Bank's standard facility letters and terms. • Monitor current and potential non-performing lending on an on-going basis, for the purpose of identifying and agreeing appropriate provisions for under-recoveries on those loans; • Responsibility for the ongoing oversight and management of current and potential non-performing loans lies with the Credit Committee.
Customer & Product	Director of Marketing & Savings	• Oversight of customer outcomes that result from Bank operations, as well as the suite of products offered, including the product design, pricing, performance, and customer suitability.
Business Change	Chief Transform-ation Officer	• To manage the effective delivery of the business change agenda Including the people side of change. • To prioritise the CCB Change Programme to align with business priorities and ensuring delivery to agreed timescales, scope, budget and available resources. • To assess all new business investment cases and change requests, ensuring that they are aligned with strategic business objectives and tactical priorities. • To ensure benefits realisation as a result of change investments. • Assessment, approval, or recommendation of significant changes to inflight Projects. • Management of the overall risks of the CCB Change programme within acceptable appetite, including people risks of change.

Committee	Chair	Purpose / Responsibilities relating to Risk Management
Impairment & Provisions	Chief Financial Officer (CFO)	• The purpose of the Committee is to monitor current and potential non-performing lending on an on-going basis, for the purposes of identifying and agreeing appropriate provisions for under-recoveries on those loans. • Responsibility for the ongoing oversight and management of current and potential non-performing loans lies with the Credit Committee.
Model Risk Governance	Chief Risk Officer (CRO	• Responsibility for the management and oversight of financial models used within the firm.
Environmental, Social and Governance Steering	Chief Risk Officer	• To lead the Bank's response to the risks, challenges and opportunities presented by factors influencing environmental, social and governance. • The collection, management, and analysis of physical climate risk data in order to meet the changing expectations of society, investors, stakeholders, and the financial regulators.

5 Risk Management Objectives and Policies

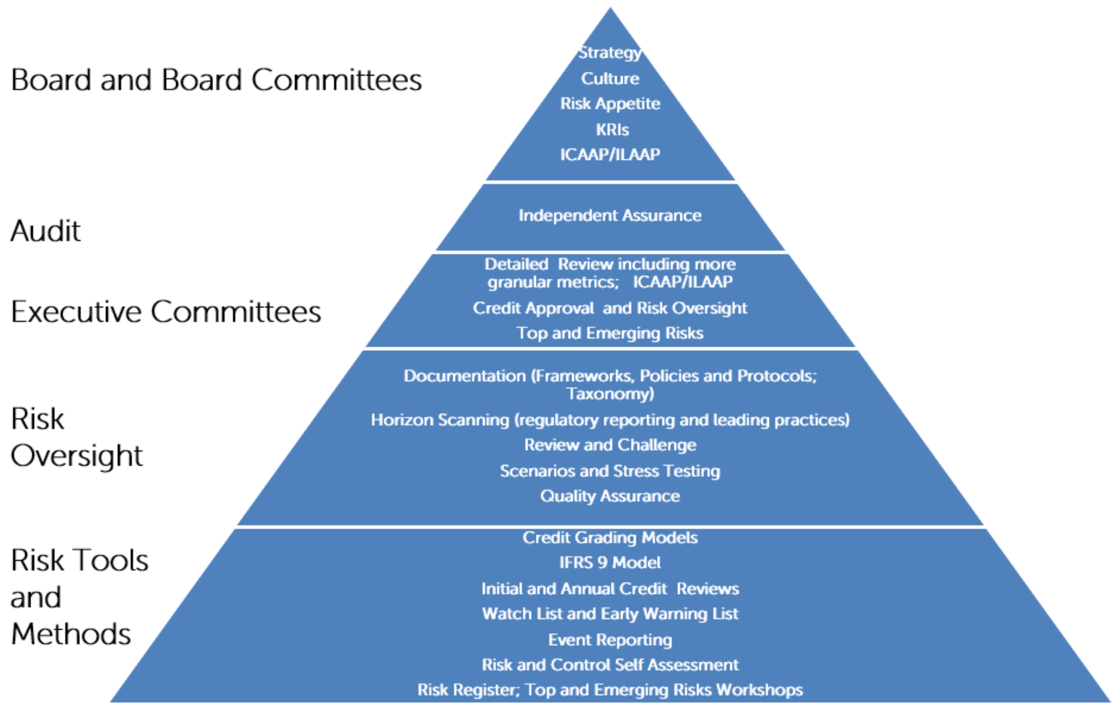
Introduction

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

The following chapter covers the key elements of the Bank's approach to risk management. This includes how deterioration and/or non-compliance with appetite is detected, including consideration of the impact on capital requirements via the ICAAP process.

Approach to risk, enterprise risk management framework and accountability

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



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

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

Governance of Risk Management

Risk management is governed by the corporate governance framework and committee structure described in section 4, with ultimate ownership by the Board.

Three lines of defence model

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

First line of defence

The Chief Executive Officer, executives and their teams are responsible for managing risk on a day-to-day basis, including identification of risks as they emerge, evaluating and reporting them and ensuring that the Bank operates within risk appetite. This includes producing Key Risk Indicators and other metrics, Committee and Board reporting, making sure that all colleagues are adequately trained, and that the executives and senior management provide leadership of the governance of risk as members of the relevant committees. In support of this, a dedicated first line risk function is in place to provide risk management expertise within an operational setting. The first line risk function undertakes an active role in maintaining and improving internal control frameworks, remediating weaknesses in operational processes, and supporting business areas in the implementation of the Bank's key risk management processes.

Second line of defence

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

Third line of defence

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

Risk Appetite Introduction

The Risk Appetite is the amount and type of risks the Board is willing to take in pursuit of its strategy and objectives. The overall objective is to protect the Bank from unacceptable levels of risk while supporting and enabling overall business strategy (including the assessment of new business opportunities). The Bank's Risk Appetite Statement outlines a mixture of qualitative and quantitative measures (Statements and Key Risk Indicators). The regular review of the Bank's appetite for risk is facilitated and challenged by the second line of defence, driven by the recommendations of the appropriate executives and subject matter experts. This process includes ensuring that the key risks identified remain appropriate against the strategic plan, current business, macroeconomic, geopolitical, regulatory, and legal environment, and experience of risk throughout the preceding year. On at least an annual basis, the second line of defence provides a review and challenge before presenting to the relevant executive committee (Risk Management Committee, Credit Committee or Asset & Liabilities Committee) for further review and challenge and recommendation to the Board Risk & Compliance Committee for approval. The Risk Appetite Statement was refreshed and updated via this process in 2021.

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

Policies, Protocols and Procedures

Each Risk Appetite Statement should be reflected in the associated policy or protocol (Policies). The Statements will include Key Risk Indicators and form the basis of the additional Risk Metrics and Early Warning Indictors recorded in these documents. The Statements will also determine the more granular rules and guidelines, contained in the policies that must be followed to ensure compliance with the Risk Appetite. Policy Owners must ensure their policies are up-to-date and reflect the Risk Appetite Statement. Each business area manager must ensure that their procedures and processes reflect the Policies.

The Basis of Risk Monitoring and Reporting

Risk Indicators and Metrics

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

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

Tier 1 - Recovery & Liquidity Contingency Plan Indicators

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

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

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

Tier 2 - Key Risk Indicators (KRIs)

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

Early Warning Indicators (EWIs)

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

Monitoring of Risk Indicators and Metrics

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

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

[1] EBA-GL-2021-11 Guidelines on the minimum list of qualitative and quantitative recovery plan indicators 9 Nov 2021.

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

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

Risk Reporting

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

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

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

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

The Risk Profile

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

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
Total Risk Total exposure to all types of risk in aggregate,	Enterprise Risk Management Framework Strategic Plan Risk Management Committee Risk & Compliance Committee	The Bank takes a conservative approach to risk management, having a low-risk appetite for all risk types, apart from Credit Risk, for which its appetite is moderate, operating within strict parameters. We recognise that there are certain types of risk to which it does not want any exposure (e.g. fraud), noting that instances can and do occur. The Bank therefore takes active steps to minimise the possibilities of such incidents arising and strives to mitigate the impact when they happen, learning from any mistakes made.	Monthly assessment by the Chief Risk Officer of the Bank's overall risk profile, based on performance against appetite in all risk categories.	The Bank monitors its overall risk profile closely via its governance structure to ensure that it always remains within Risk Appetite, in alignment with its strategy.
Strategic The risk of having an insufficiently defined or flawed strategy that does not adapt to market and business developments and/or meet the requirements and expectations of our stakeholders.	Enterprise Risk Management Framework Strategic Plan Risk Management Committee Risk & Compliance Committee Executive Committee Board	The Bank maintains a low appetite for Strategic Risk. We aim to deliver a satisfactory return on capital to our shareholders, generating profitable returns and building gross lending balances, whilst retaining stable asset quality and maintaining a satisfactory cost of risk. We will achieve this within our stated Risk Appetite and regulatory guidelines and deliver market leading customer service, demonstrated by above average	- Strategy debated at the Board's Strategy Day, including 2nd line challenge - Ongoing discussion at risk committees and Board - Regular employee, broker, and customer surveys - Ongoing review of financial performance against budget	The Bank has a clear strategy, which is monitored effectively.

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
		new business margins and positive customer experience. We aim to be an employer of choice, ensuring that we have the right mix of skills and experience to grow the Bank. We work hard to protect our brand, minimising reputational risk and play an active and responsible part in our community.	- Media monitoring/ engagement - Demonstrations of corporate social responsibility	
Capital Adequacy The risk that the Bank fails to hold sufficient capital to meet its regulatory obligations, support its growth plans or to absorb shocks.	Capital Management Policy Asset & Liabilities Committee Risk & Compliance Committee Executive Committee Board	The Bank maintains a low appetite for Capital Adequacy Risk. Our priority is to maintain (via retained earnings) a capital surplus above CET1 and Total Capital requirements sufficient to absorb any unexpected losses and costs without using regulatory buffers and ensure that the Bank's capital base can support a growing and maturing book throughout the economic cycle, allowing for potential downturns.	- Maintaining a capital surplus buffer exceeding minimum regulatory requirements - Ongoing forecasting of capital requirements reported to risk committees - Quarterly stress testing - Annual ICAAP, incorporating regular stress testing of the capital base in 'severe yet plausible' scenarios - Horizon scanning to ensure continued compliance with regulatory requirements	The Bank maintains and monitors a robust capital base, including a management buffer more than regulatory requirements.
Liquidity & Funding The risk of being unable to fund assets and meet obligations as they fall due without incurring unacceptable losses.	Asset-Liability Management Policy Savings Protocols Asset & Liabilities Committee Risk & Compliance Committee	The Bank maintains a low-risk appetite for Liquidity & Funding Risk. We will maintain sufficient liquid assets to meet liabilities as they fall due in a stressed scenario and maintain a buffer at all times, including satisfactory liquidity coverage and loan to deposit ratios. We will ensure that we are not overly reliant upon any single savings intermediary to raise deposits.	- Measuring, managing, and monitoring the risk over appropriate time horizons, including intra-day - Regular re-forecasting of the liquidity positions - Monitoring strict criteria over the use of High-Quality Liquid Assets - Annual ILAAP, including stress testing of the liquidity base in 'severe yet plausible' scenarios - Horizon scanning to ensure continued compliance with regulatory requirements	The Bank maintains and monitors its liquidity and funding requirements on a regular basis, including intra-day risk and maintains sufficient liquidity headroom to ensure that the Board's risk appetite and regulatory requirements are met at all times.
Market The risk that changes in market rates negatively impact the earnings or market value of the Bank's assets or liabilities.	Interest Rate Risk in the Bank Book Policy Asset & Liabilities Committee Risk & Compliance Committee	The Bank has no appetite for foreign currency risk and a low appetite for interest rate and basis risk keeping all assets, liabilities and off-balance sheet exposures in sterling and carefully managing mismatches between tenors of loans and deposits, hedging exposures where necessary within pre-determined limits.	- Scenario analysis - Use of natural balance sheet hedges and derivatives when needed - Monitoring of pipeline, repayment profiles and product maturities. - Modelling a variety of different yield curves/interest rate paths.	Market Risk is limited to Interest Rate Risk in the Banking Book, which is monitored by the Bank's ALCO and a suite of Key Risk Indicators and tested via scenario analysis.
Credit The risk that counterparties fail to meet the commitments into which they have	Credit Risk Management Framework Lending Protocols	The Bank has a moderate appetite for Credit Risk overall, maintaining conservative parameters, including a maximum LTV and a DSCR at a higher level than PRA requirements, focusing on	- Regular modelling of funding requirements and interest rate risk analysis - Compliance with detailed Risk Appetite	Credit Risk is one of the principal risks that the Bank faces, given the nature of its business. The

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
entered in a timely manner.	Credit Committee Risk & Compliance Committee Environmental, Social & Governance (ESG) Committee Model Risk Oversight Committee	relationship management, including annual reviews. We will maintain the Bank's lending distribution and product offering within parameters agreed by the Board, diversified by sector and UK region, with a minimal appetite for 'speculative' lending. These ensure that we concentrate lending on areas where we have experienced subject matter experts both in the first and second line of defence, with the necessary operational capacity, systems, and infrastructure to effectively manage and monitor the loans through their life cycle. We will operate within protocols, underwriting guidelines, exception limits and regulatory guidelines and manage the Early Warning Report and Watch List proactively to ensure that asset quality remains satisfactory. We will not chase growth at the expense of credit and asset quality. Although we recognise that through the full economic cycle, some credit losses are inevitable, our robust underwriting standards aim to minimise them, with close monitoring of risk appetite on a monthly basis via the comprehensive suite of KRIs.	and Lending Protocol parameters - Quarterly Stress Testing of the loan portfolio - Segregation of responsibility for the management of loans and a program of underwriting from business development and sales - Use of seasoned professionals with deep subject matter expertise, experience, and ongoing training - Quality Assurance checks to ensure adherence to policies and procedures - Use of the Credit Grading Models as part of the approval process, refreshed monthly, allowing the portfolio to be monitored on an ongoing basis. - Conducting annual reviews to ensure monitoring throughout the facility lifecycle - Close monitoring of non-performing loans, including Early Warning Report, Watch List, Forbearance, and management of arrears - Detailed provisioning requirements and procedures	lending portfolio is closely monitored via a suite of detailed metrics, including Concentration, Breaches and Exceptions, Asset Quality and Treasury Counterparty Indicators, and via the use of credit grading models. Stress testing is employed to ensure that sufficient capital is maintained. The Bank continues to assess the potential impact of climate change and the environmental factors across its loan portfolio as well as undertaking appropriate stress testing.
Legal, Compliance & Regulatory The risk that non-compliance with laws or regulations could give rise to fines, litigation, sanctions, reputational damage or financial loss.	Compliance Framework Compliance Monitoring Framework Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Legal, Compliance and Regulatory Risk. Whilst we recognise that operational errors can occur, we maintain zero tolerance for reportable breaches of regulations, regulatory policy breaches, breaches of applicable laws, late responses to regulatory requests or gifts/hospitality policy breaches. We strive to ensure that we always remain within the law and regulation. Regulatory Changes (Horizon Scanning) are logged, allocated, monitored, and tracked ensuring additions to or changes within regulatory requirements are proportionately applied. All material breaches are investigated and reported to the Risk & Compliance Committee in a timely manner, rule changes are implemented within the applicable regulatory timelines and staff operate within the Bank's	- Compliance monitoring of the Bank's activities through an approved annual plan - Undertaking detailed and regular reviews of key activities and processes via the 2nd line oversight programme - Provision of guidance in relation to business, product, and change management requests - Ensuring appropriate registrations under the Senior Management and Certification Regime through second line oversight - Maintaining logs of internal compliance breaches, regulatory breaches & conflicts of interest - Horizon scanning to ensure continued adherence to regulatory	Ensuring compliance with all applicable regulatory requirements in a fast-changing landscape is a challenge to which the Bank devotes considerable resources, and the Compliance Framework is continually under review to ensure that it meets all requirements and is in line with leading industry practices.

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
		documented policies and controls and, where applicable, industry guidelines.	requirements & developments - Regular reviews of training content & oversight of the training & development of staff to ensure up to date knowledge base	
Financial Crime The risk that inadequate controls relating to financial crime could give rise to fines, litigation, sanctions, reputational damage, or financial loss.	Financial Crime Framework Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Financial Crime risk, aiming to maintain a low level of residual risk and striving to ensure that we always remain within the law and regulation. Whilst we recognise that operational errors can occur, we maintain zero tolerance for breaches of compliance with applicable financial crime laws and regulations, deliberate facilitation of tax evasion, bribery and facilitation payments and internal fraud. All material breaches are investigated and reported to the Risk & Compliance Committee in a timely manner, rule changes are implemented within the applicable regulatory timelines and staff operate within documented policies and controls and, where applicable, industry guidelines.	- Adherence to the Financial Crime Framework - Undertaking business wide risk assessments - Customer onboarding incorporating standard and enhanced due diligence activities - Risk based Source of Funds & Source of Wealth checks - Individual customer risk assessments which determine a customer's risk profile - Third-party due diligence. - Ongoing automated transaction monitoring and screening - Receiving internal suspicious activity reports from any employee in the business - Obtaining and using intelligence and national and international findings - Receiving reports of suspicious activity from any employee in the business - Evaluating any suspicions of money laundering/ terrorist financing - Horizon scanning to ensure continued adherence to regulatory requirements - Regular reviews of training content and training and oversight of the development of staff to ensure up to date knowledge base	Ensuring compliance with all applicable regulatory requirements in a fast-changing landscape is a challenge to which the Bank devotes considerable resources. The Financial Crime Framework is continually under review and maintained in line with leading industry practices. Annual submission of the MLRO Report to the Board
Operational The risk that events arising from inadequate or internal process failure, people, and systems or from external events cause regulatory censure, reputational	Operational Risk Management Framework Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Operational Risk. We aim to minimise incidents and losses arising from operational risk issues by maintaining a resilient infrastructure, including robust systems, employing, and training the right people, minimising the impact of external events, and having a framework in place to ensure operational risks are	- Risk and Control Self Assessments and Risk Registers - Scenario Analysis - Monitoring of Operational Risk Events and 'Deep Dive' analysis, where appropriate - Reviewing projects and change management requests	Operational Risk is one of the key risks the Bank faces. However, Operational Risk related losses have historically been low, the framework has been strengthened following an

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
damage, financial loss, service disruption and/or customer detriment.		captured, monitored, and mitigated, with lessons learned from mistakes. This includes clear first line ownership of operational risks, review, and challenge by the second line and assurance from the third line. Focus is maintained on key risks, including outsourcing, operational resilience, people, cyber and technology risks, noting that the Bank has a lower appetite for risks associated with material outsourcing and critical non-outsourcing arrangements. We will ensure that our systems and operational capabilities are stable and resilient, with preventative measures in place to reduce the risk of service disruptions, and effective business continuity and disaster recovery plans maintained to limit the impact of disruption events. A suite of KRIs is in place and a framework for escalation of issues to senior management and the Board, regular reviews are undertaken via Risk and Control Self Assessments, and Operational Risk Events are captured, recorded, and reviewed with actions taken to avoid recurrence.	- Monitoring of the risk posed using critical and outsourced suppliers - Horizon scanning to ensure continued adherence to regulatory requirements and leading practices - Regular training and development of staff to ensure up to date knowledge base - An enhanced Risk and Control Self-Assessment process has been rolled out across the Bank.	external review and ongoing enhancements are being undertaken to ensure that the Bank's Operational Risk Framework is in line with its regulatory requirements and leading practices.
Conduct The risk that customers suffer loss or detriment due to failures at any stage of the customer journey, including inadequate product design, sales/marketing processes and operational delivery, data management and record keeping or the failure of its staff or key providers of services, to act with integrity and treat the customers' best interests as the highest priority.	Conduct Risk Framework Customer & Product Committee Risk Management Committee Risk & Compliance Committee	The Bank maintains a low appetite for Conduct Risk, employing a strategy that is customer-centric, transparent and built on integrity, professionalism and fairness, ensuring that all our employees understand and fully operate within regulatory requirements (including the FCA Conduct Rules), further the Bank's Strategic Priorities (including 'maintaining a culture of 'doing the right thing' for our customers and staff' and 'delivering clear and simple products'). All our employees are responsible for proactively managing Conduct Risk and maintaining customer interests as the highest priority.	- Monitoring of the Conduct Risk KPI's - Complaints monitoring and analysis - Customer surveys - Independent review of customer calls - Annual product reviews - Analysis of the 'customer journey' - Annual report from the Chief Risk Officer on Conduct issues, feeding into the remuneration policy and practice - Linkage of all variable pay schemes to customer satisfaction measures.	The Bank prides itself on its strong risk culture and focus on customer outcomes. A Conduct Risk Framework is in place to ensure continued compliance with all requirements in this regard, including detailed reporting to the risk committees.
Financial Models The risk that the Bank incurs financial loss as a consequence of decisions that could be principally based on the	Model Risk Governance Framework & Policy Model Risk Governance Committee	The Bank maintains a low appetite for Model Risk. We aim to minimise incidents and losses arising from model risk issues by maintaining and operating within an appropriate governance framework, supported by a governance policy. We have a	- Materiality assessment for models at inception, and annually thereafter - Regular independent model validation for high/medium rated models	The Bank's Model Risk Governance Policy articulates the principles and standards for model use at each stage of its life cycle, with control

Principal Risk	Governance	Risk Appetite Statement	Key Mitigants	Comments
output of (internal) models, due to errors in the development, implementation, or use of such models.	Risk Management Committee Risk & Compliance Committee	clear definition of a model and maintain an inventory of all models within the Bank. We adopt a proportionate risk-based approach according to the materiality of each model, with specific requirements regarding model development, independent validation, approval, implementation, monitoring and recommended enhancements and future developments. Oversight is provided by the second line of defence and the quarterly Model Risk Governance Committee.	- Regular model self-validation for low rated models - Ongoing model monitoring for key models. - End User Computing (EUC's) framework enhancements – requiring minimum standards for databases	and assurance requirements commensurate with the model's materiality and level of risk.

Emerging Risks and Uncertainties

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

Global macro-economic outlook / COVID- 19	As restrictions linked to Covid 19 are relaxed there remains a risk of new waves/variants and the extent of subsequent Government response. These may include temporary staff shortages, supply-chain disruptions, increased forbearance arrangements. The onset of the Ukraine conflict, and wider associated geo-political risks, has increased this uncertainty primarily through the impact on energy and commodity prices and potential supply disruptions, the impact of sanctions, and the potential for firms to adopt a 'wait and see' approach to investment.	The Bank monitors a range of current and forward-looking measures covering all susceptive risk types (primarily operational, conduct, strategic, and credit). These are reviewed by management and oversight forums on an ongoing basis, and appropriate responsive action undertaken. In mitigation to more severe scenarios, documented arrangements are in place for each of the Bank's 'Important Business Services', and for each business area, identifying key points of failure and management's contingency arrangements.
Hybrid Working (Staffing)	With the development of more flexible working arrangements hybrid working arrangements could create a new set of expectations (both employer and employee) which could change the normal pattern of working.	The Bank is focussed on maintaining a positive culture, along with positive employee relations, balancing both employer and employee needs. Regular staff feedback and surveys are undertaken to inform management's approach.
UK Macro-Economic Risk	As the impact of the pandemic unwinds there remains some risk of economic uncertainties, impacting the Bank and its customer base, resulting in the potential for the Bank being unable to achieve its business targets – (growth/credit risk related). Additionally, there remains a risk in relation to the broader economic pressures on the UK, including inflation risk.	Macro-economic risk is considered as part of the Strategic Planning process and monitored via various reporting to Board and executive level committees.
Operational Resilience	Securing Operational Resilience is a key regulatory and operational requirement such that the Bank can prevent, respond to, recover, and learn from operational disruptions. As several key IT services are outsourced, including the Bank's core platform, satisfactory performance of its	Operational Resilience and Supplier Risk Management arrangements have been significantly enhanced during 2021, including Board approval of Important Business Services (IBS's) and Impact Tolerances. Continual developments are being made and are subject to Board and Executive level oversight.

	service providers is an essential part of ensuring Operational Resilience.	
Transformation	The Bank's change agenda and investment in operations transformation to deliver improved workflow and processing efficiencies is designed to deliver clear business benefits. However, there remains some risk of increased process errors, due to the level of complexity and manual intervention in the product life cycle.	The risk is mitigated through a combination of first-line management oversight, including maintaining effective operating structures, governance forums (Executive & Business Change Committees), and Risk and Control Self-Assessments, and second and third line assurance.
Cyber Threat	The nature of cyber-attacks across the industry began to change during the pandemic with a greater proportion utilising previously unseen malware or methods, as well as an increase in volume. More recently, the Ukraine conflict has led GCHQ and the National Cyber Security Centre (NCSC - the UK's cyber watchdog) to warn of a potential increase in cyber risk, as disruptive attacks against organisations in Ukraine may 'spill over' into supportive countries. CCB's operations are inherently reliant upon its technology infrastructure, and the performance of third-party technology firms to maintain cyber security defences.	CCB's technology infrastructure is UK based and has a very small externally facing footprint, and the Bank's websites are outside its perimeter, greatly reducing the inherent exposure. Furthermore, the Bank profile, suppliers, and customer-base does not make it an obvious target for state-sponsored hackers. The Bank's technology perimeter has been reviewed without issue, and patching timescales are as aggressive as possible. Technology arrangements have been reviewed against the NCSC guidance, and no deficiencies or areas for improvement were identified. Advice has been taken from CCB's new Board advisory cyber experts, and the new OT and operational consultancy, regarding this risk. Current arrangements, including technical resiliency (firewalls, monitoring, patching, etc.), staff training, documented and tested recovery plans, and scenario playbooks, meet the recommendations received.

The Bank deems the following risks as non-applicable

Principal Risk	Risk Appetite Statement
Settlement Risk Settlement risk arises where transactions in debt instruments, equities, foreign currencies, and commodities are unsettled after their due delivery dates.	The Bank does not invest in debt instruments (other than EIB, IRBD bonds), equities and commodities or have exposure to foreign currency transactions and therefore settlement risk is not a risk that the Bank considers material.
Group Risk Group Risk for CCB is the risk that the financial position of the Bank may be adversely affected by its relationships (financial or non-financial) with other entities in the Bank.	CCB does not consider that it is exposed to this risk as it is a single entity.
Pension Risk	CCB does not consider that it is exposed to this risk as it is not financially responsible for any pension schemes offered to its employees.
Wrong way risk Wrong way risk is defined as the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty.	CCB only enters into a small number (and value) of interest rate swap contracts that could give rise to wrong way risk. The cash collateral requirements mitigate this risk, so the Bank considers that it has extremely limited exposure to wrong way risk in both reported years.

6 Remuneration

As a Small CRR Firm with less than £13bn of assets, the Bank is classified as a "Proportionality Level 3" firm for the purposes of the disclosure of remuneration under the Bank of England Supervisory Statement SS2/17 (July 2021 update) and in compliance with the CRR and the EBA guidelines on Remuneration Disclosure. The Bank has followed the regulator's guidance on materiality and proportionality. The following disclosures meet the requirements for a Level 3 proportionality firm:

The Performance and Remuneration committee is chaired by Caroline Fawcett, an independent Non-Executive Director, and is composed entirely of NEDs and met three times during 2021. In these meetings, the committee, in carrying out its responsibility for overseeing the performance and remuneration arrangements of the Bank, discussed the performance of all Executive Directors and the Chairman.

During the year, the Committee reviewed and, where felt appropriate, approved the Bank's profit share scheme, sales and executive bonus schemes, Long Term Incentive Scheme based upon agreed metrics and performance criteria, as well as upon advice from the Bank's auditors and risk function. It also oversighted the annual pay review. The Committee has considered the impact of CRD V upon its remuneration practices and strategy, together with the feedback provided from the FCA in their letter to the Chair of Remuneration Committee.

Remuneration policy

Purpose & Objective

This policy describes the approach taken by Cambridge & Counties Bank in relation to its management of remuneration and describes how it complies with the relevant requirements of the Financial Conduct Authority (FCA) remuneration code (SYSC 19D) and the Prudential Regulation Authority (PRA) rulebook.

The Board of Cambridge & Counties Bank is committed to ensuring that the Bank has risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose the Bank to excessive risk.

The purpose of this Remuneration Policy is to clearly document the policies, practices and procedures linked to salary, compensation and reward of employees. It is reviewed and approved annually by the Performance & Remuneration Committee.

Policy Scope

The policy relates to the remuneration of all employees; it covers both fixed (non-variable) and variable elements of pay and reward. Fixed elements are defined as salary, and allowances paid as a result of contractual obligations (eg: car allowance, holiday pay, medical insurance, pension and death in service). Variable elements consist of schemes designed to reward performance at both the corporate, team and individual level and/or long service (eg Profit share, performance bonus schemes).

Specific remuneration rules may apply to board members and employees, who, because of their function, may have a material impact on the risk profile of the Bank, collectively referred to as "Material Risk Takers".

The policy also covers fees paid to non-executive directors.

Policy

The policy is to:

1. Attract, develop, and retain high performing people with the ability, experience and skill to deliver the business strategy and objectives. The aim is for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best. The policy supports the Bank's strategy on inclusion & diversity, through fair and equal remuneration decisions;
2. Offer competitive and market aligned remuneration packages in which fixed salaries are the significant component and that people, regardless of their gender, are paid the same rate for the same job;
3. Encourage and incentivise employees to create sustainable results, which are consistent with strategic goals and appropriate risk management, and align the interests of the Bank's shareholders, customers, employees, and other key stakeholders;
4. Drive behaviour consistent with the Bank's values and the FCA Code of Conduct Handbook (COCON) so that employees do what is right for the customer, for colleagues, the Bank, and other stakeholders.

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

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

i. We offer a competitive total reward package that is designed to be motivating and compelling and is regularly reviewed against market rates;
ii. Reward is linked to employees' behaviours and values as well as achievement: the 'how' as well as the 'what';
iii. Our remuneration structures are straightforward; as such they are transparent, communicated and understood by all employees and all our stakeholders;
iv. There is a clear link between business, team and individual performance and reward, and people can explain when and why adjustments for performance have been applied;
v. Our remuneration practices are consistent with and promote sound and effective risk management and are fully compliant with all appropriate governance, regulatory requirements, and codes of practice;
vi. Our remuneration policies, packages and processes are designed to be affordable, consistent, and efficient, and do not limit the Bank's ability to strengthen its capital base.

Remuneration Principles

The Bank will comply with the Remuneration Principles by:

- the Board annually reviewing the Bank's Remuneration Policy to ensure that it is consistent with the corporate strategic plan, agreed risk appetites and regulatory requirements;
- using the Rolling Objectives My Plan (ROMP) process to ensure that detailed performance objectives are drawn up and reviewed for all employees and are aligned to the Bank's business strategy including its risk management objectives and appetite;
- formally linking annual salary reviews, profit share and bonus payments to the overall performance of individuals, including achievement of performance objectives;
- ensuring that the Senior Management variable pay contain specific performance metrics linked to the long-term performance of the Bank, including compliance and risk management objectives;
- ensuring that a Conflict of Interest Policy is in place and is always adhered to;

- subjecting the implementation of the remuneration policy to central and independent internal review from the Compliance function at least annually;
- maintaining the view that all flexible remuneration schemes are discretionary and subject to the approval of the Performance & Remuneration Committee;
- having an independent Risk & Compliance function which has a direct reporting line into the Risk Committee;
- ensuring that total variable remuneration does not limit the Bank's ability to strengthen its capital base by ensuring that all variable and non-variable pay are linked to specific financial targets and are subject to the approval of the Performance & Remuneration Committee who can declare that all variable and non-variable pay will not be paid in the event of a potential capital shortfall;
- regularly reviewing the regulatory capital levels at the Bank's Risk Committee which includes the Non-Executive Directors who sit on the Performance & Remuneration Committee. The Performance & Remuneration Committee members are therefore always aware of potential capital issues;
- ensuring that the allocation of variable remuneration components within the Bank also considers all types of current and future risks, and assessments of financial performance used to calculate variable remuneration components or pools of variable remuneration components are based principally on profits;
- ensuring its pension provision is in line with its regulatory obligations under auto-enrolment as well as its business strategy and values;
- requiring its employees to undertake not to use personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in the remuneration arrangements;
- setting appropriate ratios between fixed and variable components of total remuneration so that the fixed element represents the highest proportion of the total remuneration package;
- confirming that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure;
- the Bank will use the regulators' remuneration principles in assessing its exposure to risks arising from its remuneration policy as part of the Internal Capital Adequacy Assessment Process (ICAAP);
- applying the same overall principles to all directors and employees, regardless of whether they meet the definition of "Material Risk Takers" and/or "Code Staff".
- "Signing Bonus" "buy-out" and/or "golden handshake" are not routinely used and are always subject to Chief Executive Officer and Board approval. All variable remuneration is subject to malus and clawback for a period of seven years from the date of award.

Policy Detail

Remuneration Components

Remuneration consists of two elements: fixed and variable payments.

a) ### Fixed Remuneration:

The fixed element of remuneration is determined by the job performed, its level of complexity and responsibility, the level of expertise and experiences required, and the remuneration paid in the market for that type of job. It is assessed on appointment and is reviewed annually. Ad hoc reviews of salary may occur if there is a major change in responsibilities or benchmarking shows salary is significantly lower than market rate. In all cases, any ad hoc review must be supported with a business case.

Non-Executive Directors are office holders who receive a fixed fee for their services, which is made up of a basic fee and an additional amount for chairing committees. They are not entitled to any elements of variable pay, or other employee benefits such as pension provision. Their fees are reviewed regularly in line with market benchmarking.

b) Variable Remuneration

The Bank has a maximum fixed to variable remuneration ratio of 1:1, in line with CRD V. There are three schemes that make up variable remuneration:

i. *Annual Profit Share & Performance Bonus schemes:* The profit share/performance bonus structure is for all employees up to and including Executive Directors and comprises of three schemes:
   - Profit Share;
   - Sales' Bonus;
   - Senior Leadership Plan.

   The purpose of these schemes is to motivate and reward high performers who significantly contribute to sustainable results and perform according to set personal objectives and behavioural expectations. Performance is assessed through the Bank's performance management process (ROMP) and is reviewed when making individual rewards.

   Performance-related remuneration is paid as cash via payroll and subject to tax and National Insurance deductions. The Bank does not operate shares or share based instruments. The Senior Leadership Plan contains a four-year deferred payment clause.

ii. *Long Term Incentive Plan (LTiP)*
   Until 2020, the Bank awarded LTiPs to member of the Senior Management team. The last LTiP was granted in 2019 and covers the performance period 2019 to 2021.

iii. *Additional Bonus Schemes*
   As part of the Bank's attract and retain strategy, Performance & Remuneration Committee occasionally grant one-off bonus awards. These are always linked to achievement of business plans and are discretionary based on achievement of pre-agreed objectives and criteria.

Governance

The Board of Directors has established a Performance & Remuneration Committee, which:

- exercises independent judgment on remuneration policies, practices and recommendations of the Executive;
- ensures compliance with this policy, regulations and statutory duties;
- advises on remuneration policies and practices generally;
- provides specific recommendations on remuneration packages and other terms of employment for executive directors;
- considers the implications of remuneration policy and practices on management risk, capital and liquidity.

The Performance & Remuneration Committee is made up of Non-Executive Directors and shareholder representatives. The Chief Executive Officer, Chief People Officer and General Counsel are attendees. The full description of the Committee's composition, tasks and authority are available in its Terms of Reference. The Bank's Performance & Remuneration Committee meets a minimum of three times a year.

It is inbuilt to the remuneration review process that the Bank's Risk and Compliance function is able to provide challenge to bonus and incentive payments where it feels individuals may be rewarded for poor risk behaviours; this is achieved through the Chief Risk Officer's (CRO) report to the Performance & Remuneration Committee, inclusion of the CRO in calibration and approval meetings, and the membership of the Chair of Risk on the Performance & Remuneration Committee.

Control Function Remuneration

In line with SYSC 19D 3.18, the remuneration of senior officers in the Risk and Compliance function is proposed by the Chief Executive Officer in liaison with Human Resources and is decided upon by Performance & Remuneration Committee.

Remuneration for senior officers within Human Resources is decided upon by the CEO with approval from Performance & Remuneration Committee.

Performance assessment

All remuneration decisions are subject to assessment of performance at individual, business unit and company level (in line with the PRA rulebook 15.4, and it should be noted that currently, the Bank has only one business unit). When assessing performance, both financial and non-financial measures are considered, and to this end, clear behavioural criteria as well as qualitative and quantitative measures are detailed in the specific variable pay schemes.

Individual performance is assessed through the Bank's performance review process (ROMP) and is considered when making individual fixed or variable pay awards. These assessments can negatively or positively affect any award given.

Poor risk, compliance or conduct behaviours will affect the level of variable pay awarded to individuals. The CRO provides a report to the Performance & Remuneration Committee in Q1 each year detailing any specific concerns he/she has at individual, team and company level. The CRO report also outlines current and future risks, an assessment of the capital base of the firm and the impact these have on the determining and payment of variable pay. The CRO will recommend to Committee whether any adjustment at either individual or company level is warranted in their opinion.

The Committee is also presented with a financial performance report from the CFO to assist their deliberations on variable pay awards, which details anticipated financial outturn.

The Committee reviews multi-year performance when considering remuneration decisions, enabling it to consider longer term performance and post event risks. This is intended to ensure that individuals are held to account for the long-term impact of their decisions and actions and to ensure that they are not inappropriately rewarded for short-term success. The Committee will apply adjustments to both previous and current remuneration decisions to reflect multi-year performance (see malus and clawback below).

Pensions

The Bank does not operate an occupational pension scheme. In order to comply with its regulatory requirement under auto-enrolment, the company contributes to employee's personal pension schemes via a Group Personal Pension Plan with Royal London. Additionally, the Bank does not offer or make any discretionary pension benefits.

Guaranteed Variable Remuneration

Signing-on or buy-out guaranteed variable remuneration are given on the basis of:

- being exceptional;
- occur only in the context of hiring a new employee;
- made only where the Bank has a sound and strong capital base;
- and are limited to the first year of service unless approved by the Committee.

The Bank does not routinely use early termination or settlement payments. Where they are employed, they are in line with regulation and reflect loss of office and/or redundancy payments.

They do not exceed the Bank's variable pay cap. Previously awarded bonuses will only be paid where an individual is deemed to be a "good leaver" and their performance is strong; post-event risk assessments will apply. Settlement payments or "pay offs" are not made in cases of poor conduct or performance.

Malus and Clawback

Malus means the reduction and /or cancellation of unpaid, unvested, or unsettled variable amounts of remuneration when a Trigger Event is discovered, and the Board seeks to fulfil its fiduciary duty to shareholders by invoking its discretion to reduce and/or cancel a variable remuneration amount.

Clawback means when incentive remuneration has already vested, been settled, paid, or otherwise made available, and a Trigger Event occurs which indicates an error in the calculation of an individual's remuneration, and the Board seeks to fulfil its fiduciary duty to shareholders by invoking its discretion to recoup all or part of a variable remuneration amount.

A Trigger Event includes but is not limited to:

- a material misstatement of the financial results resulting in an adjustment in the Bank's audited accounts;
- in the case of awards which are subject to the achievement of performance conditions, the assessment of any performance metric or condition based on error, or inaccurate or misleading information;
- the fact that any information used to determine the quantum of a variable remuneration amount based on error, or inaccurate or misleading information; and/or
- action or conduct of an individual which, in the reasonable opinion of the Board/Performance & Remuneration Committee, amounts to serious misconduct or gross negligence;
- events or behaviours of an individual or the existence of events attributable to an individual which led to the censure of the Bank, by a regulatory authority or have had a significant detrimental impact on the reputation of the Bank.

In respect of determining if Malus and/or Clawback should be invoked in terms of a Trigger Event which has been discovered, the Performance & Remuneration Committee may consider an individual's proximity to the applicable Trigger Event and his or her level of responsibility.

The Board is empowered with absolute discretion to enforce or decline to apply Malus and Clawback and should, in determining whether to enforce or decline it, consider the interests of the Bank and its shareholders. In making decisions, the Board may take into consideration the following factors:

- the likelihood of success of invoking Clawback and recovering such variable remuneration amounts;
- the likelihood that such claim may prejudice the interests of the Bank;
- the passage of time since the occurrence of the Trigger Event(s); and
- the existence of any legal proceedings against an individual related to the applicable Trigger Event(s).

Before invoking Malus or Clawback the Board will advise the affected individual in writing of its reasons for intending to invoke it. An individual will be given an opportunity to make representations to the Board (in writing, within a specified period) about any factors or circumstances that may be relevant to the application of the Board's discretion in invoking Malus or Clawback.

Termination of employment

The Bank's redundancy policy is to pay statutory redundancy pay. Exceptionally, if required from a business need, the Bank will enter into agreed settlement payments which are calculated on current base salary and may include awarded but deferred bonus payments. It is the Bank's policy not to include any element of future earnings or awards. The LTIP and Senior Leadership Plan schemes do include good leaver status and the reasons for termination of employment are considered when determining any award to ensure they are proportionate and reflect performance.

Policy Breaches

Any breaches of this policy will be reported to the Chief Risk Officer who will make an assessment as to whether further notification to the regulator is necessary. Significant breaches which require a notification to the regulators include (but are not limited to):

- any proposed changes to remuneration policies, practices or procedures which could have a significant impact on the firm's risk profile or resources;
- fraud, errors, and other irregularities which may suggest weaknesses in, or be motivated by the firm's remuneration policies, procedures or practices;
- any proposed policies, procedures or practices which could:
  - have a significant adverse impact on the firm's reputation;
  - affect the firm's ability to continue to provide adequate services to customers;
  - result in a serious detriment to a customer of the firm;
  - result in serious financial consequences to the financial system or to other firms.

Such notifications will be made as soon as the Bank becomes aware of or has information which reasonably suggests such circumstances have occurred or may occur in the future.

Disclosures: Remuneration

As a regulated BIPRU Bank, Cambridge & Counties Bank will provide the appropriate remuneration disclosures for a proportionality Tier 3 Bank within its Pillar 3 disclosure, which is published on the Bank's website.

Roles & Responsibilities

The Chief People Officer is responsible for the maintenance of this policy and ensures that Risk & Compliance are made aware of any changes to enable the policy review schedule to be updated.

Reward outcomes in 2021

The Performance & Remuneration Committee has reviewed the business performance in 2021 and considered risk events in conjunction with the Board Risk & Compliance Committee, the affordability of paying variable pay, and the associated risk of low variable pay. After assessment of performance, the Committee has approved distribution of £2.2m variable pay award for 2021 (2020: £1.4m).

Executive Director Remuneration

The table below summarise the Executive Directors' remuneration policy for 2021:

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Salary	– The Performance & Remuneration Committee is committed to adhering to the	– Reviewed annually – Takes periodic account of practices of	– There is no prescribed maximum annual increase	– An element of performance-related pay applies

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
	Financial Services Remuneration Code, thus ensuring that the Bank has risk-focused remuneration policies – Reflects skills and experience over time – Reflects the value of the individual and their role – Provides an appropriate level of basic fixed income – Avoids excessive risk taking from over reliance on variable income	financial institutions of similar size, characteristics, and sector comparators	The Performance & Remuneration Committee is guided by the general increase for the broader employee population and on occasions may need to recognise, for example, an increase in the scale, scope, or responsibility of a role.	
Benefits	– To aid retention and recruitment	– Company car allowance, provision of private medical insurance, life assurance and permanent health insurance	– Not applicable	– Not applicable
Bonus	– Incentivises annual delivery of financial and strategic goals – Maximum bonus only payable for achieving business and personal targets	– Paid in cash – Not pensionable	– 50% of salary	– A combination of 50% company and 50% individual performance measures with a deferred element of amounts over 20% of salary paid over 3 years

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Long Term Incentive Plan (LTIP) Stopped in 2020 – final scheme is 2019 - 2021	– Aligned to main strategic objectives of delivering sustainable growth as set out in the Bank's strategic plan	– Grant will be awarded each financial year – Paid in cash – Not pensionable	– 20% of base salary	– Achievement in final year of financial and non-financial performance measures with good and bad leaver elements – Cancellation elements apply
Pension	– Provides retirement benefits – Opportunity for executives to contribute to their own retirement plan	– Defined contribution	– Bank contribute 10% of salary provided executives contribute a min 3% of salary – Executives may request a salary sacrifice for the equivalent of their personal pension contribution. This arrangement is also available for other staff – For EDs who have exceeded their lifetime allowance	– Not applicable

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
			and/ or tapered allowance, there is the option of taking a 10% pension allowance in cash (taxable allowance)	

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

The LTIP performance conditions were selected by the Performance & Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Bank's financial growth and are consistent with the Bank's objective of delivering specific long-term value to shareholders. The LTIP scheme was discontinued in 2020, with the last granted LTIP being for the performance period ending 2021. Where performance measures are achieved for 2021, the LTIP award will vest in 2022 at a maximum of 20% base salary. The Executive bonus scheme was increased by 20% to a maximum of 50% in 2020, maintaining the variable remuneration package for Executives.

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

Benefits offered to executive directors apply from the commencement of employment.

Consideration by the Directors of matters relating to Directors' Remuneration

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

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

Remuneration policy for other employees

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

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

Remuneration policy for Non-Executive Directors

All Non-Executive Directors are appointed for an initial term of 36 months and may be terminated by either party upon 3 months' written notice. Non-Executive fees are set in line with the policy in the table below. Non-Executive Directors are not eligible to participate in any of the benefits provided to employees or Executive Directors except for private medical insurance.

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Fees	– Reflects time commitments and responsibilities of each role – Reflects fees paid by financial institutions of similar size, characteristics, and sector comparators	– Cash fee paid – Reviewed on an annual basis – NED fees are considered and approved by the Shareholders and Chairman – Chairman fees are approved by Performance & Remuneration Committee	– There is no prescribed maximum annual increase. All increases are guided by market rates and the general increase for the executive director population – NEDs who chair Board Committees receive an additional responsibility allowance of £6k – The Senior Independent Director receives an additional responsibility allowance of £6k	– Non-executive directors do not participate in variable pay elements

Remuneration of Material Risk Takers

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

Business Area	Year to 31 December 2021	Year to 31 December 2020
No of material risk takers	27	24
Total Remuneration £m	4.8	4.1
Variable remuneration as a % of total remuneration	25%	18%
Variable remuneration £m	1.2	0.7
Amounts receivable under long term incentive schemes £m	0.1	0.0
Provision for compensation for loss of office £m	-	0.1

Remuneration of Staff by Business Area

The table below shows the breakdown of staff costs by Business area during 2021.

Business Area	Year to 31st December 2021	Year to 31st December 2020
Average Staff Numbers	183	165
Staff Costs (£m) Customer Facing Non-Customer Facing	 3.6 11.3	 2.7 10.2
Total Costs	14.9	12.9

7 Capital Resources

Available Capital Resources

The Bank manages its capital requirements according to CRD IV (see Section 3). This framework is enforced in the UK by the PRA who sets and monitors minimum capital requirements for the Bank.

The Bank's policy is to maintain a strong capital base to maintain investor and market confidence and to sustain the future development of the business. Throughout the period to 31 December 2021, the Bank maintained its capital resources at a level above the minimum capital adequacy requirements. The Board manages its capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP. The Bank presents regular reports on the current and forecast level of capital to the Executive Committee, ALCO, Risk & Compliance Committee and to the Board.

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

Under CRD IV, the Bank must set aside capital equal to 8% of its total risk weighted assets to cover its 'Pillar 1' capital requirements. The Bank must also set aside 'Pillar 2' capital to provide for additional risks. The ICAAP is the Bank's internal assessment of its Pillar 2 capital requirements, which the PRA reviews and advises its expectations of the level of Pillar 2 capital to be held. The PRA will set Pillar 2A requirements for risks not captured under Pillar 1 capital requirements and it will set Pillar 2B (the PRA Buffer – see Section 8) requirements to meet potential shortfalls in capital that may occur in the future due to severe stress scenarios like economic downturns. Pillar 1 and Pillar 2A requirements are referred to as the Bank's Total Capital Requirement (TCR). CCB maintains its capital base in excess of its TCR and PRA Buffer and has complied with all externally imposed capital requirements during 2021. The PRA monitors capital adequacy through regulatory returns.

In addition to the TCR and PRA Buffer requirements, CRD IV also mandates that Banks hold capital to meet the Capital Conservation Buffer (CCoB) and Countercyclical Capital Buffer (CCyB). The CCoB and CCyB are collectively known as CRD IV Combined Buffers (see Section 8).

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

As at 31 December 2021, the Bank's capital base was £167.0m (31 Dec 2020 £153.2m), all of which was Tier 1 capital. The Bank's regulatory capital consists of the following elements:

	Common Equity Tier 1 (CET1)	Tier 1 Capital	Notes
Ordinary Share Capital	✓	✓	
Retained Earnings	✓	✓	
Fair Value through other comprehensive income reserve	✓	✓	
Regulatory Adjustments	✓	✓	IFRS 9 transition relief arrangements have been applied
Deductions	✓	✓	Intangible assets Enable Guarantee first loss fund Additional value adjustment
Perpetual subordinated contingent convertible loan notes		✓	Additional Tier 1 capital

The total assets of the Bank at 31 December 2021 were £1,275m (31 Dec 2020 £1,074m). The tables below set out the Bank's capital resources and ratios at 31 December 2021, and how the resources reconcile to the Bank's reported statutory capital.

Own funds disclosure

The table below shows the composition of the Bank's regulatory capital position. The table follows the disclosure format required by the EBA Implementing Technical Standard on Disclosure for Own Funds, with only items applicable to the Bank being shown.

Own Funds – Regulatory disclosure template 31 December 2021 £'000		2021 £000s	2020 £000s
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts of which: Ordinary share capital	44,955	44,955
2	Retained Earnings	96,637	82,254
3	Accumulated other comprehensive income	(475)	26
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	140,917	127,235
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments	(38)	
8	Intangible assets	(163)	(83)
10	Deferred tax that rely on future profitability excluding those arising from temporary differences	-	-
20c	Securitisation Positions	(1,688)	(1,688)
	Transitional adjustments - IFRS 9*	5,627	4,799
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	3,738	3,028
29	Common Equity Tier 1 (CET1) capital	144,655	130,263
30	Capital instruments and the related share premium accounts	22,900	22,900
31	of which: classified as equity under applicable accounting standards	22,900	22,900
36	Additional Tier 1 (AT1) capital before regulatory adjustments	22,900	22,900
Additional Tier 1 (AT1) capital: regulatory adjustments			0
44	Additional Tier 1 (AT1) capital	22,900	22,900
45	Tier 1 capital (T1 = CET1 + AT1)	167,555	153,163
Tier 2 (T2) capital: instruments and provisions			
50	Credit risk adjustments		-
51	Tier 2 (T2) capital before regulatory adjustments		-
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital		-
58	Tier 2 (T2) capital		-
59	Total capital (TC = T1 + T2)	167,555	153,163
60	Total risk weighted assets	728,379	629,727
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.86%	20.69%
62	Tier 1 (as a percentage of total risk exposure amount)	23.00%	24.32%
63	Total capital (as a percentage of total risk exposure amount)	23.00%	24.32%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a % of risk exposure amount)**	7.00%	7.00%
65	of which: capital conservation buffer	2.50%	2.50%
66	of which: countercyclical buffer	0.00%	0.00%
68	CET1 capital available to meet buffers (as a % of risk exposure amount)	11.86%	12.69%

*The Bank has applied IFRS 9 transitional arrangements.

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

Main Features of Capital Instruments

		Equity	Perpetual Unsecured Subordinated Contingent Convertible Additional Tier 1 Capital Securities
1	Issuer	Cambridge & Counties Bank Limited	Cambridge & Counties Bank Limited
2	Unique identifier		
3	Governing laws of the instrument	England and Wales	England and Wales
	Regulatory Treatment		
4	Transitional CRR Rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo / consolidated	Solo	Solo
7	Instrument type	Ordinary shares	Convertible loan notes
8	Amount recognised in regulatory capital	£44,955,000	£22,900,000
9	Nominal amount of instrument	£44,955,000	£22,900,000
9a	Issue price of instrument	£1.00	£1.00
9b	Redemption price of instrument	N/A	£1.00
10	Accounting classification	Equity	Equity
11	Original date of issuance	1 Mar 2012	30 Sep 2015
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	No
16	Subsequent call dates if applicable	N/A	N/A
	Coupon / Dividends		
17	Fixed or floating dividends/coupon	Floating	Floating
18	Coupon rate and related index	N/A	Bank base rate plus 5.50%
19	Existence of a dividend stopper	N/A	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of a step up or other incentive to redeem	N/A	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible
24	If convertible, conversion triggers	N/A	If the Bank's fully loaded CET1 ratio on any Relevant Date is less than 7.00%
25	If convertible, fully or partially	N/A	Partially
26	If convertible, conversion rate	N/A	£1 per Conversion Share
27	If convertible, mandatory or optional conversion	N/A	Mandatory
28	If convertible, specify instrument type convertible into	N/A	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	N/A	Cambridge & Counties Bank Limited
30	Write down feature	No	No
31	If write down, trigger(s)	N/A	N/A
32	If write down, full or partial	N/A	N/A
33	If write down, permanent or temporary	N/A	N/A
34	If temporary write down, description of write up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Senior creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Reconciliation of Statutory and Regulatory Capital

£'000	2021	2020
Equity as per statement of financial position	163,817	150,135
Regulatory adjustments		
Less Prudential filters	(38)	-
Less intangible assets	(163)	(83)
Less Securitisation first loss fund	(1,688)	(1,688)
IFRS 9 Transitional Adjustment	5,627	4,799
Total regulatory capital	167,555	153,163

Leverage Ratio

The CRD IV framework requires firms to calculate a non-risk-based leverage ratio that is a supplementary measure to the risk-based capital requirements and is designed to prevent build-up of excessive leverage. The ratio is defined as Tier 1 capital divided by the total on and off-balance sheet leverage exposures expressed as a percentage. The Bank's ratio is significantly higher than the CRR minimum requirement of 3%.

From 1 January 2022 revisions to the UK leverage ratio framework mean that the Bank will not be in scope for the leverage ratio minimum capital requirement and buffers because it does not have retail deposits in equal to or greater than £50bn or foreign assets equal to or greater than £10bn. Nevertheless, the PRA expects that firms not in scope should manage their leverage risk so that the ratio, excluding claims on central banks where they are matched by liabilities, does not fall below 3.25%.

Leverage Ratio £'000	Regulatory Minimum	2021	2020
Total Tier 1 Capital		167,555	153,163
Exposures			
Balance sheet exposure (Inc. Derivative PFE exposure)*		1,273,748	1,073,330
Off balance sheet exposure		24,714	23,923
Total Exposures		1,298,462	1,097,253
Leverage Ratio	3%	12.90%	13.96%

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

Leverage ratio regulatory disclosures

Table LRSum : Summary reconciliation of accounting assets and leverage ratio exposures (2021)		
	£'000	Applicable amount
1	Total assets as per published financial statements	1,274,871
4	Adjustments for derivative financial instruments	45
6	Adjustment for off-balance sheet items	24,714
7	Other Adjustments *	(1,167)
8	Leverage ratio total exposure measure	1,298,463

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

Table LRCom: Leverage ratio common disclosure		
	£'000 On-balance sheet exposures	CRR leverage ratio exposures 2021
1	On-balance sheet items *	1,273,868
2	Asset amounts deducted in determining Tier 1 capital	(163)
3	Total on-balance sheet exposures	1,273,705
	Derivative exposures	0
5	Add-on amounts for PFE associated with all derivative transactions	45
11	Total derivative exposures	45
	SFT exposures	-
16	Total securities financing transaction exposures	-
	Off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	119,751
18	(Adjustments for conversion to credit equivalent amounts)	(95,037)
19	Other off-balance sheet exposures	24,714
	Capital and Total Exposure Measure	
20	Tier 1 capital	167,555
21	Leverage ratio total exposure measure	1,298,463
	Leverage Ratio	
22	Leverage ratio	12.90%
	Choice on transitional arrangements	
EU-23	Basis of disclosure of the leverage ratio	Transitional Basis
EU-24	Amount of derecognised fiduciary items	-

*Excludes £0.308m of on-balance sheet provisions relating to off balance sheet loan commitments and is net of deposits relating to collateral for loans

Table LR Spl: Split-up of on balance sheet exposures		
	£'000s	CRR leverage ratio exposures 2021
EU-1	Total on-balance sheet exposures, of which*:	1,273,705
EU-5	Exposures treated as sovereigns	275,520
	Multilateral development banks	37,137
EU-7	Institutions	12,293
EU-8	Secured by mortgages on immovable properties	786,147
EU-9	Retail exposures	44,990
EU-10	Corporate**	84,466
EU-11	Exposures in default***	13,563
	Securitisation exposures	13,489
EU-12	Other exposures	6,100

* Excludes on-balance sheet provisions relating to off balance sheet loan commitments and intangible assets deducted from capital and is net of deposits relating to collateral for loans
*** Exposures in default excludes defaults on high-risk loans.
Sovereign exposures includes the Bank's cash ratio deposit of £1,205k

Managing the risk of Excess Leverage (LRQua)

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

IFRS 9 Transitional Relief Template

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

Key aspects of the Quick Fix

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

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

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

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

IFRS 9 Transitional Relief Template			
Available capital (£000s)		31 Dec 2021 IFRS 9	31 Dec 2020 IFRS 9
1	Common Equity Tier I (CET1) capital	144,655	130,263
2	Common Equity Tier I (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	139,028	125,464
3	Tier 1 capital	167,555	153,163
4	Tier I capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	161,928	148,364
5	Total Capital	167,555	153,163
6	Total Capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	161,928	148,364
7	Total risk-weighted assets	728,379	629,727
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	723,352	625,673
Capital Ratios			
9	Common Equity Tier1 (as a percentage of risk exposure amount)	19.86%	20.69%
10	Common Equity Tier1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.22%	20.05%
11	Tier 1 (as a percentage of risk exposure amount)	23.00%	24.32%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22.39%	23.71%
13	Total capital (as a percentage of risk exposure amount)	23.00%	24.32%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22.39%	23.71%
Leverage ratio			
15	Leverage ratio total exposure measure	1,298,464	1,097,253
16	Leverage ratio	12.90%	13.96%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.47%	13.53%

The leverage ratio decreased during the year from 13.96% to 12.90%. This was driven by a 10% increase in the Tier 1 capital resources versus an 18% increase in the leverage ratio total exposure measure.

8 Capital Requirements

This section is divided into Pillar 1 and Pillar 2.

As described in Section 8, Pillar I regulatory capital deals with the regulatory capital calculated for the following risk components:

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

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

Pillar 1 - Risk Weighted Exposure Amounts

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

Overview of RWA (OV1)

Overview of RWA (OV1) £'000 31 December			Risk Weighted Assets*		Minimum Capital Requirements 2021 (RWA * 8%)
			2021	2020	
Article 438(c)(d)	1	Credit risk (excluding CCR)	638,407	541,056	51,073
	2	Of which standardised approach (SA)	638,407	541,056	51,073
Article 107 Article 438(c)(d	6	Counterparty credit risk (CCR)	46	50	4
	9	Of which SA-CCR	23	34	4
	12	Of which CVA	23	16	1
Article 449(o)(i)	14	Securitisation exposures in the Banking Book (after the cap)	9,159	8,161	733
	18	Of which standardised approach	9,159	8,161	733
Article 438(f)	23	Operational risk	78,784	78,647	6,303
	24	Of which Basic Indicator Approach	78,784	78,647	6,303
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,984	1,813	159
	29	Total	728,379	629,727	58,272

*after the application of SME factor where appropriate

The Bank's minimum capital requirements for credit risk are calculated by applying the Pillar 1 capital requirement of 8% to the risk weighted assets of CCB. Credit risk weightings are determined by the "Standardised Approach" as set out in the CRR. The Bank uses Moody's Investors Service as its nominated External Credit Assessment Institution (ECAI) for all standardised counterparty credit risk exposure classes.

Key aspects of the SME Support Factor

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

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

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

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

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

Pillar 2

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

a) Pillar 2A– Risks which are not fully met under the Pillar 1 capital requirements such as concentration risk and interest rate risk in the banking book. Pillar 2A requirements are included in CCBs TCR, and,

b) Pillar 2B– Risks to which banks may become exposed over a forward-looking planning horizon. Pillar 2B is also referred to as the PRA Buffer.

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

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

Interest Rate Risk in the Banking Book (IRRBB)

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

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

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

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

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

a) Calculating the Economic Value Impact of a 200bps shift in interest rates on a parallel basis. This value is calculated on a monthly basis and reported to ALCO. The Bank is implementing the scenarios set out in EBA guidance 'Guidelines on the Management of Interest Rate Risk arising from Non-Trading Book Activities' in 2020.
b) In accordance with EBA/GL/2018/02 the Bank considers any potential changes in their economic value (EV) and future earnings capacity that could arise from adverse movements in interest rates. The Bank also measures the impact by considering the six scenarios, including the 200 bp parallel shift up and down, the pivotal yield curve steeper and flattener and the 300 bp short-end yield curve shift up and down.
c) 25 bp parallel yield curve shift up and down.

Interest-rate risk is mitigated as far as possible using natural hedges where these exist on the balance sheet, and derivative instruments where required and as appropriate. Natural hedges arise where matching tenor and rate bases occur during the ordinary course of business. Customer products that facilitate this include Fixed Rate Bonds on the liabilities side and Asset Finance lending on the assets side. They also include European Investment Bank (EIB) and The International Bank for Reconstruction and Development (IBRD) bonds in the High-Quality Liquid Assets (HQLA) portfolio.

To assess the impact of rate changes and to ensure the Bank has sufficient funds to ensure that liabilities can be met as they fall due, the Bank's assets and liabilities are allocated to time bands by reference to the earlier of the next contractual interest rate change and the maturity date. The interest rate sensitivity exposure of the Bank at 31 December 2021 was:

31 December 2021 £'000	Within 3 months	More than 3 but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-Interest Bearing	Total
Assets							
Cash and balances at central banks*	240,158	-	-	-	-	-	240,158
Loans and advances to:							
Banks	12,293	-	-	-	-	-	12,293
Customers	904,921	9,551	15,054	59,898	4,335	(15,925)	977,834
Debt Securities	-	-	10,210	26,958	-	(31)	37,137
Other						7,449	7,449
Total Assets	**1,157,372**	**9,551**	**25,264**	**86,856**	**4,335**	**(8,507)**	**1,274,871**
Off balance sheet derivatives	12,000	-	-	9,000	-	-	21,000
Liabilities							
Customers' accounts	(792,286)	(52,903)	(108,183)	(146,374)	-	(4,027)	(1,103,773)
Other Liabilities	-	-	-	-	-	(7,281)	(7,281)
Total Equity	(22,900)	-	-	-	-	(140,917)	(163,817)
Total liabilities	**(815,186)**	**(52,903)**	**(108,183)**	**(146,374)**	**-**	**(152,225)**	**(1,274,871)**
Off Balance sheet derivatives	(21,000)	-	-	-	-	-	(21,000)
Interest Rate Sensitivity Gap	**333,186**	**(43,352)**	**(82,919)**	**(50,518)**	**4,335**	**(160,732)**	**-**
Cumulative gap	**333,186**	**289,834**	**206,915**	**156,397**	**160,732**	**-**	**-**

*Government and central bank exposures excludes the Bank's cash ratio deposit of £1,205k

The Bank considers a 200 basis points ("bps") movement to be appropriate for scenario testing given the economic outlook and industry expectations as at 31st December 2021 and estimated that a +/-200bps movement in interest rates would have impacted the present values of interest flows as follows:

Basis point scenario*	2021 £m	2020 £m
+200bps	2.3	1.6
-200 bps	(2.4)	(1.7)

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

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

Pillar 2B (PRA Buffer)

Pillar 2B which is generated from the Supervisory Review Evaluation Process (SREP) deals with firm specific/idiosyncratic risk. In order to internally assess capital required under Pillar 2B, the Bank stress tests its business model, considering both internally identified risks and the major risk sources identified in the PRA rulebook. The Bank evaluated a macro-economic downturn scenario based on the PRA annual cyclical scenario (ACS) flexed for the type of business undertaken by the Bank. A bank's Pillar 2B capital requirement consists of the PRA Buffer which is based on the results of the Bank's stress testing.

CRD IV Combined Buffers

Capital Conservation Buffer (CCoB)

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

Countercyclical Capital Buffer (CCyB)

The CCyB is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. The CCyB rate is determined by each jurisdiction in which a credit exposure arises. Financial institutions are required to hold additional CCyB capital to prevent the build-up of systemic risk during periods of high credit growth as a disincentive to growth and to create additional loss absorption capability. The Financial Policy Committee (FPC) at the Bank of England sets the applicable CCyB rate for the UK. This rate is applied to CCBs relevant credit exposures to derive the Banks institution specific CCyB requirement. The CCyB rate was reduced from 1% to 0% on 9 March 2020 in response to the COVID-19 pandemic. On 13 December 2021 the FPC announced that it is increasing the UK CCyB rate to 1%, to be implemented by 13 December 2022. Provided the economy continues to recover, the FPC expects to increase the CCyB to 2% in 2022 Q2, to take effect in 2023 Q2. This decision reflects the fact that the FPC judges those risks have returned to their pre-Covid level.

Countercyclical Capital Buffer – credit exposures requirement

General Credit Exposures £000s	Trading Book Exposures £000s	Securitisation Exposures £000s	Total Exposures £000s	Own Funds General Credit Exposures £000s	Own Funds Trading Book Exposures £000s	Own Funds Securitisation Exposures £000s	Total Own Funds £000s	Own Funds Requirement Weights %	Counter Cyclical Capital Buffer Rate %
964,191	-	47,702	1,011,893	51,054	-	732	51,786	100.00%	0.00%

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

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

Row	2021 £000s	2021 £000s
010	Total risk weighted assets	728,379
020	Institution specific countercyclical capital buffer rate	0.00%
030	Institution specific countercyclical capital buffer requirement	-

9 Credit Risk

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

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

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

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

The main product lines are lending secured against property, asset finance and classic car finance. The Bank specialises in providing secured lending for SMEs. The Bank lends to experienced commercial and residential property investors as well as to owner occupied businesses to invest in their own commercial premises. The asset finance business provides finance to SMEs for business-critical assets through hire purchase and finance lease facilities. The Asset Finance product offering includes finance for the purchase of classic cars.

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

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

£'000	2021	2020
Cash and balances at central banks	241,363	191,634
Loans and advances to banks*	12,293	9,696
Debt securities	37,168	38,075
Loans and advances to customers**	992,600	840,831
Other Exposures	6,100	6,424
Total on balance sheet**	1,289,524	1,086,660
Off-balance sheet treasury bills	-	57,047
Off-balance sheet derivative potential future exposure add-on	45	60
Commitments to lend***	123,982	75,552
Gross credit risk exposure	1,413,551	1,219,319
Less allowance for impairment losses	(14,799)	(12,482)
Net credit risk exposure	1,398,752	1,206,837

*Includes collateral posted of £280k
** Gross of cash collateral deposits
***Commitments to lend represent agreements entered into but not advanced as at 31 December.

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

The above table represents the maximum credit risk exposure to the Bank at 31 December 2021 and 2020 without taking account of any underlying security. At 31 December 2021 the value of security held as collateral against drawn loans and exposures in the form of property is £1,699m (2020: £1,420m) and the Bank also owns the title to the assets financed under its Hire Purchase and Finance lease agreements of £92m (£69m).

Credit risk exposure and capital requirements

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

Credit Risk Exposure 31 December 2021 and 2020	Exposure Value £'000		Risk Weighted Exposures £'000		Minimum Pillar 1 Capital Requirement (8% x risk weight) £'000	
Exposure Class	2021	2020	2021	2020	2021	2020
Government and central banks	278,500	229,678	-	-	-	-
Institutions	12,293	9,696	2,458	1,941	197	155
Secured by mortgages on commercial real-estate	440,048	354,481	348,024	280,036	27,842	22,403
Secured by mortgages on residential property	319,949	285,263	112,241	100,442	8,979	8,035
Securitisation	47,647	43,479	9,158	8,161	733	653
Retail	44,990		27,081		2,166	
Corporates	84,465	99,787	72,596	83,142	5,808	6,651
Higher-risk categories	26,148	27,877	41,246	42,961	3,300	3,437
Past due items	13,563	16,584	14,643	18,136	1,171	1,451
Other items	6,100	6,424	6,884	6,779	551	543
Balance sheet Exposure	1,273,704	1,073,270	634,331	541,598	50,747	43,328
Derivative – potential future exposure add-on	45	60	23	30	1	2
Off balance sheet commitments	123,674	75,392	15,217	9,436	1,217	755
Off balance sheet treasury bills	0	57,047		-	0	-
Total Exposure	1,397,423	1,205,770	649,571	551,064	51,965	44,085
Operational risk capital requirement			78,784	78,647	6,303	6,292
Credit Value Adjustment			23	16	2	1
Total Pillar 1 capital requirement			728,379	629,727	58,270	50,378

- Past due items are defined as any secured mortgage or corporates account which is three or more months in arrears.
- Defaults in the high-risk category are reported under High Risk in line with COREP requirements.
- The Corporate exposure class includes asset finance and the unsecured element of any secured loans.
- Treasury bills relate to drawings under the Funding for Lending Scheme. The Bank pre-positioned appropriate collateral with the Bank of England. All borrowings under the Funding for Lending Scheme were repaid in September 2021.
- Exposures are net of cash collateral deposits of £1,330k.
- Exposures (including off-balance sheet exposures) are net of loan loss provisions.
- Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k.
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief (except risk weighted exposure amounts which include IFRS9 transitional adjustments.).

Credit risk exposure by type

Credit Risk Exposure 31 December 2021 (all numbers net of loan loss provisions)	Exposure Value 2021 £'000	Exposure Value 2020 £'000
Government and central banks		
Repayable on demand*	241,363	191,634
Marketable securities	37,137	38,044
Banks		
Repayable on demand	12,293	9,687
Derivatives	45	69
Loans and advances to customers**	976,811	827,473
Other	6,100	6,424
Off balance sheet exposures	123,674	132,439
Total Exposure	1,397,423	1,205,770

* Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k
** Net of collateral deposits
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

Credit risk exposure – on and off-balance sheet reconciliation

The difference between the total credit risk exposures shown above of £1,397m and the total assets per the 2021 financial statements of £1,275m can be explained as follows;

31 December 2021	Exposure Value 2021 £'000	Exposure Value 2020 £'000
Total credit risk exposure (per table above)	1,397,423	1,205,770
Less:		
Off balance sheet customer loans and advances commitments*	(123,982)	(75,552)
Off balance sheet treasury bills**	-	(57,047)
Derivative potential future exposure add-on	(45)	(60)
Deferred tax liability- gross up	(18)	-
Add:		
Collateral deposits adjustments to loans	1,330	1,067
Intangible assets deducted from capital	163	83
Total assets per balance sheet	1,275,871	1,074,261

* Gross of provisions for off-balance sheet commitments.
** Treasury bills relate to drawings under the Funding for Lending Scheme. The Bank placed appropriate collateral with the Bank of England. All borrowings under the Funding for Lending Scheme were repaid in September 2021.
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

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

The following table breaks down the Bank's on-balance sheet credit risk exposure (net of conversion factors and collateral) by asset class and risk weighting. The assets of the Bank are analysed by risk category and given weightings according to the level of risk entailed. Credit risk weightings are determined by the "Standardised Approach" as set out in the CRR. The Bank uses Moody's Investors Service as its nominated External Credit Assessment Institution (ECAI) for the Bank's exposure class. The risk-weighting category is prior to the application of the SME factor to qualifying exposures.

	Exposure class	Risk weighting %								Total credit exposure	Of which unrated
		0	20	35	50	75	100**	150	250		
1	Central governments and central banks	278,500								278,500	-
6	Institutions		12,293		45					12,338	-
7	Corporates						87,160			87,160	87,160
8	Retail					44,990				44,990	44,990
9	Secured by mortgages on immovable property			326,817			453,879			780,696	780,696
10	Exposures in default						13,545	19		13,564	13,814
11	Exposures associated with particularly high risk							26,203		26,203	26,203
	Securitisation Exposures	35,846					11,801			47,647	47,647
16	Other items*	407					4,900		793	6,100	6,100
17	Total	314,705	12,293	326,817	45	44,990	571,285	26,222	793	1,297,198	1,006,562

*Principally fixed assets and deferred tax
**Weightings are before the application of the SME factors (0.7619 and 0.85)
- Exposures include both on and off-balance items after the application of off-balance sheet credit conversion factors
- Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

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

*Principally fixed assets and deferred tax
**Weightings are before the application of the SME factors (0.7619 and 0.85)
- Exposures include both on and off-balance items after the application of off-balance sheet credit conversion factors
- Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k
- All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief

Credit Risk on Sovereign and Institutions

The Bank's credit risk arises principally as a result of Nostro balances, Multilateral Development Bank bond, European Investment Bank bond and its Bank of England reserve account. In September 2021 the Bank repaid the £57m of Treasury bills drawn under the Funding for Lending Scheme (FLS) and drew £78m of funding in the form of cash under the Bank of England's TFSME scheme (Term Funding Scheme with additional incentives for SME).

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

Credit risk weightings for treasury counterparties are determined by the "Standardised Approach" using credit quality steps as set out in the CRR. The credit ratings and counterparties of the Bank's liquid asset exposures as at 31 December (on balance sheet) were as follows:

£'000	2021	Credit rating	2020	Credit rating
Cash and balances at central banks	240,158	P1/Aa3	190,962	P1/Aa3
Deposits at other banks	12,293	P1/A1	9,687	P1/A1
European Investment Bank Bond	17,184	P1/Aaa	17,770	P1/Aaa
International Bank Reconstruction and Development Bonds	19,953	P1/Aaa	20,274	P1/Aaa
Derivatives held for risk management purposes	(253)	P1/A2	9	P2/A3

*Ratings based on Moody's long-term rating

The Bank uses National Westminster Bank for deposit and clearing services.

Credit risk on Loans and Advances

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

	2021		2020	
	£m	%	£m	%
Secured on property	901	91	772	92
Secured on other assets	92	9	69	8
Total	993	100	841	100

In addition to security over property the Bank may also take additional security in the form of Director Guarantees and cash deposits. There has been no change in the Bank's credit risk mitigation techniques or type of lending activities in 2020. The Bank continues to focus on lending to SME customers secured on property or, in the case of finance leases and Hire Purchase agreements, business essential assets or classic cars.

Geographical Breakdown of Secured Lending

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

Region	2021	2020
East Anglia	2%	1%
East Midlands	15%	18%
Greater London	4%	3%
North East	4%	4%
North West	20%	21%
Scotland	7%	6%
South East	9%	8%
South West	5%	5%
Wales	7%	7%
West Midlands	8%	8%
Yorkshire/Humberside	19%	19%
Total	100%	100%

Credit Quality – Past Due

CCB adopted IFRS 9 on 1st January 2018. An assessment is made of each loan's risk profile, which determines the category that the account is assigned to. Accounts are now assigned to the three stages identified below:

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

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

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

£'000	2021	2020
Neither past due nor impaired	952,079	802,726
Past due but not impaired:		
Up to 3 payments missed	11,946	5,533
Impaired	28,575	32,572
Total	992,600	840,831
Less allowances for impairment losses	(14,766)	(12,451)
Total loans and advances to customers	978,834	828,380

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

Impairment provisions against customer loans and advances at 31 December 2021 have been made up as follows:

Impairment provision movement £'000	Stage 1: subject to 12- month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Closing Balance at 31 December 2021	2,836	5,954	5,976	14,766
Opening Balance at 1 January 2021	3,332	4,867	4,252	12,451
Increase (decrease) in provision	**(496)**	**1,087**	**1,724**	**2,315**
Increase (decrease) in provision				
New loans originated	942	296	-	1,238
Derecognised loans	(424)	(448)	(288)	(1,160)
Loan commitments	148	-	-	148
Allowance utilised in respect of write offs	-	(61)	(840)	(901)
Transfers between Stages and increase in credit risk				
- Transfers from Stage 1	(326)	325	1	-
- Transfers from Stage 2	1,889	(2,184)	295	-
- Transfers from Stage 3	56	114	(170)	-
- Increase in credit risk	(2,781)	3,045	2,726	2,990
	(496)	**1,087**	**1,724**	**2,315**
P&L charge				
Increase (decrease) in provision	(496)	1,087	1,724	2,315
Write Offs	104	31	1,343	1,478
P&L impairment charge	**(392)**	**1,118**	**3,067**	**3793**
Income Adjustment*	-	-	(267)	(267)
Non customer lending related post write-off recoveries			(2)	(2)
Total P&L impairment charge	**(392)**	**1,118**	**2,798**	**3,524**

* Interest originally charged on the gross carrying amount for credit impaired stage 3 assets which has subsequently been recalculated on the net carrying amount. This resulted in a reduced interest income and impairment charge in the income statement of £267k.

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

All of the Bank's customer loans and advances are UK based. The majority of loans and advances to customers (91%) of the Bank's lending are secured on property.

Lending by product and type %	2021	2020
Real estate lending		
Residential	33%	35%
Commercial	55%	53%
Other	3%	4%
Total Lending on Property	91%	92%
Asset finance & Classic Cars	9%	8%
Total	100%	100%

Counterparty Credit Risk

CCB has exposure to counterparty credit risk through interest rate derivatives. As per section 9 above on sovereigns and institutions, the selection of counterparties and the approval of limits is governed by the Bank's Counterparty Policy and involves consideration of background credit rating information as well as up to date credit reports and other market intelligence. ALCO reviews counterparty limits on a monthly basis and recommends changes to the Risk & Compliance Committee for approval. No exposure can be held with counterparties which do not have a pre-approved limit. Capital requirements for counterparty credit risk are calculated using the mark to market method. CCB does not have an external credit rating and exposures to and with derivative counterparties are cash collateralised. There would be no impact to the cash collateral postings required in the event of a perceived decrease in the Bank's credit worthiness.

The Bank has interest rate derivatives with a nominal value of £21m at 31 December 2021 (2020: £23m). The net fair value of these swaps totalled (£1k) at 31 December 2021 (2020: £9k). The Bank's derivatives are interest rate swaps to hedge its exposure to changes in the fair value of a proportion of its fixed rate deposit balances. The effectiveness of the Bank's hedging is monitored on a monthly basis. Derivative financial instruments are recognised at fair value on the Bank's balance sheet. The exposure value is shown below:

Exposure £'000	2021	2020
Derivatives held for risk management purposes	(254)	9

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

Counterparty Credit Risk exposures by regulatory portfolio and risk weights

Counterparty Credit Risk exposures by regulatory portfolio and risk weights (template 28: EU CCR3) 31 December 2021 £'000							
	Exposure Class	Risk Weight				Total	Of which unrated
		0%	20%	50%	100%		
1	Central government or central banks	312,657				312,657	-
6	Institutions		12,293	45		12,338	-
11	Total	312,657	12,293	45		324,995	-

Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k.
Institutions includes PFE but excludes CVA.

Securitisation Risk: Enable Guarantee

In June 2019, the Bank executed an Enable Guarantee with the British Business Bank. The British Business Bank is an economic development bank established by the UK Government. Its objective is to promote the development and growth of small and medium size enterprises by facilitating lending to this sector. The Enable Guarantee provides unfunded credit protection for loans covered by the guarantee within the Bank's SME portfolio. The effect of the guarantee is to reduce the risk weighted assets on the guaranteed element of the loan. The Bank remains exposed to the unguaranteed portion and to a 'first loss' element of the guaranteed portion. This latter exposure constitutes a synthetic securitisation position under the CRR. The funding of the lending to SMEs is facilitated by the greater capital efficiency. The Bank's roles in the securitisation are as originator and servicer. The bank does not provide an associated liquidity facility.

The pool of guaranteed loans is originated by the Bank and meet certain criteria including: the risk profile, loan size, purpose of the loan and nature of the borrower and is subject to size and sector limits. Further loans may be added to the pool up to a maximum amount of £50m. Newly originated, newly qualifying or further drawdowns on existing pool loans could be added, providing loan limits are adhered to, until June 2021 or until a loan defaults. The guarantee continues for those loans covered, until they have been repaid. The guarantee can be terminated via a clean-up call once the aggregate value of the remaining facilities falls below 10% of the maximum facility limit. At year end, the total pool exposure was £48m (2020: £44m). No loans covered by the guarantee were impaired and no losses were recognised in respect of these loans. The loans within the pool are managed and monitored in the same way as the overall portfolio, and should a loan default, would be subject to the same collections and recovery processes.

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

Market Risk Capital

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

Operational Risk Capital

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

£'000	2019	2020	2021
Net interest income	42,908	38,112	44,927
Other income	50	30	23
Relevant indicator	42,958	38,142	44,950
3 year average			42,017
Basic indicator approach percentage			15%
Operational risk capital requirement			6,303

Net interest income is calculated by deducting interest payable from interest receivable and Other income comprises administration fees. All of the Bank's income is included in the calculation of the Relevant indicator.

The Bank's operational risk capital requirement at 31 December 2021 was £6.3m (based on the average total income for 2019-2021 multiplied by the basic indicator approach percentage of 15%).

10 Asset Encumbrance

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

The Bank was a participant in the Bank of England Funding for Lending Scheme (FLS) until September 2021 when all borrowings were repaid. The FLS enabled the Bank to borrow highly liquid UK Treasury bills in exchange for eligible collateral. The Treasury bills were not recorded on the Bank's balance sheet as ownership remains with the Bank of England. As at 31 December 2021 the Bank had drawn £nil m (2020: £57m) of Treasury bills under FLS. These Treasury bills were held off balance sheet and were not monetised. Under the FLS the assets used as collateral were reported as encumbered.

In September 2021 the Bank borrowed £78m from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). The TFSME enabled the Bank to borrow central bank cash (up to a specific individual bank limit set by the scheme rules) for a period of up to four years in exchange for eligible collateral. Under the TFSME the assets used as collateral are reported as encumbered.

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

The cash ratio deposit held with the Bank of England is considered to be an encumbered asset because it cannot be freely withdrawn. At 31 December 2021 the Bank had pledged £280k (2020: nil) of collateral against derivative contracts, which is included in the total loans and advances to banks category on the balance sheet.

The following tables show the appropriate disclosures in respect of the Bank's encumbered and unencumbered assets during 2021. The tables show the median balance sheet values for the past 12 months basis as prescribed in the regulatory requirements.

Template A - Overview of encumbered and unencumbered assets

The values in this report are based on medians of the quarter end exposures. The encumbered assets represent assets encumbered (but not monetised) under the Funding for Lending Scheme, assets encumbered under the Term Funding Scheme with additional incentives for SMEs and the Bank's cash ratio deposit.

Template A 2021 Rolling 12 month median £'000		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	107,553	106,668			1,019,051	204,582		
030	Equity instruments	-	-			-	-		
040	Debt securities	-	-	-	-	37,848	-	-	-
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	-	-	-		37,848	-	-	-
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-
090	of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
120	Other assets	107,553	106,668			981,203	204,582		
121	of which: Central bank Reserve Account	885	0			204,582	204,582		
122	of which: Deposits at other Banks	-	-			12,131	-		
123	of which: Loans and advances to Customers	107,553	106,668			832,029	-		

Template B – Collateral Received

The Bank meets the criteria set by the PRA to waive the requirement to report Table B- Characteristics of received collateral. The Bank's Table B return would in any case have been a nil return in 2021 as CCB did not have any monetised encumbered assets during the period.

2021 Rolling 12 month median £'000	Fair value of encumbered collateral received, or own debt securities issued	Fair value of non-encumbered collateral received, or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	-

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

2021 Rolling 12 month median £'000	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received, and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	-	-

11 Liquidity

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

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

The management of liquidity and funding is undertaken through a comprehensive risk framework which includes its policy, strategy, limit setting and monitoring, stress testing and robust governance controls. Further details can be found in the Bank's statutory accounts for the year ending 31 December 2021. CCB comfortably exceeds the regulatory minimum for the LCR ratio.

LCR Ratio		
LCR regulatory minimum	31 December 2021	31 December 2020
100%	287%	419%

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

HQLA are cash or unencumbered assets that can be converted into cash quickly with no significant loss of value. The Bank's HQLAs, managed by its Treasury function, predominately comprise reserves held at the Bank of England of £240m (2020: £191m) and debt securities of £37m (2020: £38.0m). In 2020 the Bank also held off-balance sheet T-bills drawn through the Bank of England's Funding for Lending Scheme totalling £57m.

The Bank has maintained high levels of liquidity throughout 2021. In September 2021 the Bank repaid the £57m of Treasury bills drawn under the Funding for Lending Scheme (FLS) and drew £78m of funding in the form of cash under the Bank of England's TFSME scheme (Term Funding Scheme with additional incentives for SME).

There is limited exposure to on-balance sheet exposure to derivatives (£1k) (interest rate swaps which are used for risk management purposes to hedge fixed rate savings products) and CCB does not have a trading book, so there is no exposure to market risk.

The Bank does not have exposure to foreign currency risk at the 31 December 2021 and does not offer any foreign currency denominated accounts.

The Bank's liquidity coverage ratio (LCR) calculation for Q4 2021 is summarised below:

Quarter ending: £m		Q4 2021	Q4 2020
21	Liquidity Buffer – HQLA	275.2	284.1
22	Total Net Cash Outflows	95.9	67.8
23	Liquidity Coverage Ratio (%)	287%	419%

12 Additional Disclosures

Reconciliation of Accounting and Regulatory Differences

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

31 December 2021 £'000	A	B	C	D	G
	Carrying values of items				
	As reported in published financial accounts	Under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the counterparty credit risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central banks	240,158	240,158	240,158		
Loans and advances to banks	12,293	12,293	12,293		
Debt securities	37,137	37,137	37,137		
Loans and advances to customers*	978,834	978,834	978,834		
Other assets and prepayments	2,091	2,091	2,091		
Property, plant and equipment	2,587	2,587	2,587		
Intangible assets	1,589	1,589	1,426		163
Current tax asset	407	407	407		
Deferred taxation	775	775	793		(18)
Total assets*	1,274,871	1,274,871	1,274,726	-	145
Customers' accounts	1,025,520	1,025,520	-	-	1,025,520
Central Bank facilities	78,000	78,000	-	-	78,000
Derivative financial liabilities	254	254	-	254	-
Other liabilities and accruals	7,280	7,280	-	-	7,280
Total liabilities	1,111,054	1,111,054	-	254	1,110,800

*Net of specific provisions
Government and central bank exposures excludes the Bank's cash ratio deposit of £1,205k
Column e (carrying value of items subject to the securitisation framework) and column f (carrying value of items subject to the market risk framework) are omitted as there are no exposures in these categories.

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

31 December 2021 £'000		A Total	Items subject to	
			B Items subject to credit risk framework	C Items subject to counterparty risk framework
1	Assets carrying value amount under the scope of regulatory consolidation*	1,274,726	1,274,928	-
2	Liabilities carrying value amount under the regulatory scope of consolidation	(1,330)	(1,330)	-
3	Total net amount under the regulatory scope of consolidation	1,273,598	1,273,598	-
4	Off balance sheet amounts**	123,982	123,982	-
9	PFE – derivatives	45	-	45
10	Exposure amount considered for regulatory purposes	1,397,423	1,397,378	45

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

* Net of on balance sheet loan provisions
**Excludes on-balance sheet provisions for off-balance sheet commitments' and excluding intangible assets

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

Category	Process and interpretations
Cash and balances at central banks	These represent amounts with an initial maturity of less than 3 months and are held at amortised cost in the Bank's balance sheet
Loans and advances to banks	These represent amounts with a maturity of less than 3 months, and are held at amortised cost in the Bank's balance sheet
Loans and advances to customers	The majority of the Bank's lending is via products with a variable interest rate, which it considers equivalent to a current market product rate. Loans are initially measured at fair value plus direct transaction costs, and subsequently at their amortised cost using the effective interest rate method.
Debt securities	Where securities are actively traded in a recognised market, with available and quoted prices, these have been used to value these instruments.
Customers' accounts	The majority of customer deposits balances are held at amortised cost on the Bank's balance sheet. £21m of fixed rate deposits are held at fair value as these are hedged using interest rate derivatives.
Derivatives	The fair values of derivative assets and liabilities are calculated based on the present value of future interest cash flows, discounted at the market rate of interest at the balance sheet date.

Template 7: EU CRB-B

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

Total and average net amount of exposures (template 7 EU CRB-B) 31 December 2021 £'000		A Net value of exposures at the end of the period	B Average net exposures over The period
16	Central governments or central banks	312,657	277,156
21	Institutions	12,338	15,347
22	Corporates	99,716	122,295
23	Of which: SMEs	83,407	102,794
24	Retail	54,868	10,974
25	Of which: SMEs	47,521	37,643
26	Secured by mortgages on immovable property	858,434	794,063
27	Of which: SMEs	858,434	794,063
28	Exposures in default	13,563	14,132
29	Items associated with particularly high risk	26,259	30,509
34	Other Exposures	17,854	6,026
34	Securitisation	11,801	11,638
35	Total standardised approach	1,395,736	1,282,149
36	Total	1,395,736	1,282,149

The above table includes off-balance sheet exposures in respect of the Bank's FLS T-Bills, lending commitments which give rise to a credit risk exposure and takes into account the collateral, and the benefit of the BBB enable guarantee. The value of the PFE on the Bank's derivative portfolio which is held on the asset side of the balance sheet is also included. Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k. All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief. During the year, exposures that qualify for the retail exposure class were reclassified from the corporate exposure class.

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

Geographical Breakdown and Concentration by Industry and Counterparty

EU CRB-C - Geographical Breakdown of Exposures

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

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

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

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

31 December 2021 £'000

		A	B	C	D	E	F	G	H	I	J	L	M	N	O	P	Q	R	S	U
		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service	Public administration and defence,	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
13	Corporates	727	456	2,576	13	8,370	1,612	15,999	9,940	5,487	90	12,769	2,057	15,999	7	355	1,251	2,609	19,904	100,221
14	Retail	212	36	1,889	-	3,732	6,203	3,521	8,348	95	437	378	2,377	17,475	-	-	-	1,569	8,596	54,868
15	Secured by mortgages on immovable property	6,464	3,536	20,426	121	10,444	12,337	81,236	93,683	61,722	2,123	415,775	29,734	56,206	1,970	5,218	31,097	8,077	18,795	858,964
16	Exposures in default	1,652	-	-	-	-	183	4,116	237	3,993	-	2,782	513	88	-	-	-	171	78	13,813
17	Items associated with particularly high risk	-	-	-	-	-	6,705	4,995	3,178	292	-	8,396	-	2,737	-	-	-	-	-	26,303
23	Total standardised approach	9,055	4,028	24,891	134	22,546	27,040	109,867	115,386	71,589	2,650	440,110	34,681	92,505	1,977	5,573	32,348	12,426	47,373	1,054,169
	Securitisation	958	-	3,471	-	2,109	2,825	7,507	3,467	7,366	77	-	2,064	3,416	227	2,560	7,863	1,886	1,851	47,647
24	Total	10,013	4,028	28,362	134	24,655	29,865	117,374	118,853	78,955	2,727	440,110	36,745	95,921	2,204	8,133	40,211	14,312	49,224	1,101,816

Maturity and Credit Quality

EU CRB-E – Maturity of exposures

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

Maturity of exposures (template 10 EU CRB-E) 31 December 2021 £'000		A	B	C	D	E	F
		Net exposure value					
		On demand	<=1 year	>1 year <= 5 years	>5 years	No stated maturity	Total
7	Central governments or central banks	278,500					278,500
12	Institutions	12,293					12,293
13	Corporates		8,965	32,170	43,330		84,465
14	Retail		2683	38,138	4,169		44,990
15	Secured by mortgages on immovable property		69,358	122,693	567,947		759,998
16	Exposures in default		367	2,988	10,208		13,563
17	Items associated with particularly high risk		14,651	9,539	1,958		26,148
	Securitisation		-	-	47,647		47,647
22	Other exposures		5307		793		6,100
23	Total standardised approach	290,793	101,331	205,528	676,053		1,273,705

The table above excludes intangible assets (except allowable software) and on-balance sheet loan loss provisions relating to off-balance sheet loan commitments. Exposures are net of collateralised deposits. Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k. All balances are consistent with the Banks statutory accounts and exclude the impact of IFRS9 transitional relief.

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

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

Credit quality of exposures by exposure class and instrument types (template 11 EU CR1) 31 December 2021 £'000		A	B	C	D	E	F	G
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
20	Central governments or central banks		278,531	31			31	278,500
21	Institutions	-	12,293	-				12,293
22	Corporates	-	106,024	5,802		135	4,131	100,222
23	Of which: SMEs	-	89,687	5,775		135	4,216	83,912
24	Retail		55,278	410			410	54,868
25	Of which: SMEs		47,843	322			322	47,521
26	Secured by mortgages on immovable property	-	861,092	2,128			573	858,964
27	Of which: SMEs	-	861,092	2,128			573	858,964
28	Exposures in default	16,551		2,739		1,343	3,167	13,812
29	Items associated with particularly high risk	12,779	17,065	3,541			2,198	26,303
	Securitisation Exposures		47,794	147			18	47,647
34	Other exposures	-	6,052	-		-		6,052
35	Total standardised approach	29,330	1,384,129	14,547	-	1,478	9,867	1,398,709
36	Total	29,330	1,384,129	14,547	-	1,478	9,867	1,398,709

This table includes off balance sheet exposures (excluding PFE).
Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k.
The effect of collateral is not netted off exposures in this table.
Write-offs are net of post-write off recoveries. Counterparty credit risk is covered in further tables in section 9 and 12

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

Credit quality of exposures by industry or counterparty type (template 12 EU CR1-B)
31 December 2021 £'000

		A	B	C	D	E	F	G
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Agriculture, forestry and fishing	1,649	8,375	33	-	0	(3)	9,991
2	Mining and quarrying	0	4,049	24	-	0	24	4,025
3	Manufacturing	0	27,957	195	-	104	145	27,762
4	Electricity, gas, steam and air conditioning supply	0	133	0	-	0	0	133
5	Water supply	0	24,111	39	-	0	(24)	24,072
6	Construction	5,445	26,286	3,027	-	0	2,933	28,704
7	Wholesale and retail trade	5,019	113,737	3,822	-	0	3,510	114,934
8	Transport and storage	261	117,470	624	-	0	557	117,107
9	Accommodation and food service activities	5,217	75,356	1,717	-	0	1,361	78,856
10	Information and communication	0	2,438	6	-	467	4	2,432
11	Real estate activities	10,650	433,524	3,680	-	735	(7,059)	440,494
12	Professional, scientific and technical activities	696	36,406	376	-	172	164	36,726
13	Administrative and support service activities	120	91,979	595	-	0	265	91,504
14	Public administration and defence compulsory social security	0	2,205	2	-	0	2	2,203
15	Education	0	8,167	42	-	0	34	8,125
16	Human health services and social work activities	0	40,252	64	-	0	33	40,188
17	Arts, entertainment and recreation	173	13,668	110	-	0	101	13,731
18	Other services	100	48,670	410	-	0	267	48,360
19	Total	29,330	1,074,783	14,766	-	1,478	2,314	1,089,347

Excludes 0% off balance sheet Credit Conversion Factor loan commitments

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

Credit Quality of Exposures by geography (template 13 EU CR1-C)
31 December 2021 £'000

		A	B	C	D	E	F	G
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	UK/Total	29,330	1,384,221	14,797	-	1,478	10,118	1,398,754

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

Aging, Non-performing and Forborne Exposures

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

Ageing of past-due exposures (template 14 EU CR1-D) 31 December 2021 £'000								
		A	B	C	D	E	F	
		Gross carrying values						
		< 30 days	> 30 days < 60 days	> 60 days < 90 days	> 90 days < 180 days	>180 days < 1 year	> 1 year	Total
1	Loans	11,539	4,279	168	181	3,225	799	20,191
2	Debt Securities	-	-	-	-	-	-	-
3	Total exposures	11,539	4,279	168	181	3,225	799	20,191

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

Non-performing and forborne exposures (template 15 EU CR1-E) 31 December 2021 £'000														
		A	B	C	D	E	F	G	H	I	J	K	L	M
		Gross carrying amount of performing and non-performing exposures							Accumulated impairment, provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and < = 90 days	Of which perform -ing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
010	Debt securities	37,168	-	-	-	-	-	-	31	-	-	-	-	-
020	Loans and advances	992,601	541	755	28,575	28,575	28,575	11,400	8,792	1	5,975	1,512	1,330	
030	Off-balance-sheet exposure	-	-	-	-	-	-	-	-	-	-	-	-	-

Accumulated provision reflects the specific provisions.

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

Changes in stock of general and specific credit risk adjustments (template 16 EU CR2A) 31 December 2021 £'000		A Accumulated specific credit risk adjustment	B Accumulated general credit risk adjustment
1	Opening Balance	12,451	
2	Increases due to amounts set aside for estimated loan losses during the period	4,695	
3	Decreases due to amounts reversed for estimated loan losses during the period	(901)	
4	Decreases due to amounts taken against accumulated credit risk adjustments	(1,478)	-
9	Closing balance	14,766	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-

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

Changes in stock of defaulted loans and debt securities (template 17 EU CR2 B) 31 December 2021 £'000		Gross carrying value defaulted exposures
1	Opening balance Defaulted loans and debt securities at 1 January 2021 under IFRS 9	32,572
2	Loans and debt securities that have defaulted since 31 December 2020	7,722
3	Returned to non-defaulted status	(2,190)
4	Amounts written off	(3,741)
5	Other charges	(5,788)
6	Closing balance Defaulted loans and debt securities at 31 December 2021	28,575

Credit Risk Mitigation

Template 18: EU CR3 – CRM techniques - Overview

This table shows the use of Credit Risk Mitigation (CRM) techniques, broken down by loans and debt securities. The exposures secured by financial guarantees represents loans included within the British Business Bank Enable Guarantee. The Bank does not use credit derivatives.

Credit risk mitigation techniques overview (template 18 EU CR3) 31 December 2021 £'000		A	B	C	D	E
		Exposures unsecured: carrying amount	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total Loans*	253,701	977,834	930,187	47,647	-
2	Total Debt Securities	37,137			-	-
3	Total exposure	290,838	977,834	930,187	47,647	-
4	Of which defaulted	-	26,090	26,090	-	-

* Total loans excludes other assets, such as prepayments and other debtors
Total loans includes on balance sheet provisions for off balance sheet loan commitments

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

Credit risk exposure and credit risk mitigation (CRM) effects (template EU 19 CR4) 31 December 2021 £'000		A**	B**	C#	D##	E##	F
	Exposure Classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
		On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA	RWA density
1	Central governments or central banks	278,500	0	312,657	-	-	0%
6	Institutions	12,293	45	12,293	45	2,481	20%
7	Corporates	84,971	15,250	86,536	2,708	74,736	84%
8	Retail	44,900	9,878	45,146	0	27,081	60%
9	Secured by mortgages on immovable property	760,528	98,436	760,833	20,708	473,260	73%
10	Exposures in default	13,814	-	14,607	-	14,643	0%
11	Exposures associated with a particularly high risk	26,192	110	27,498	55	41,329	150%
	Securitisation	47,647		11,857		9,158	77%
16	Other items*	6,100	-	6,100	-	6,884	113%
17	Total	1,275,035	123,719	1,277,727	23,516	649,572	72%

*Other assets include fixed assets.
** exclude the impact of IFRS9 transitional relief.
# Include the impacts of IFRS9 transitional relief
include the effects of credit conversion factors
- This table includes both on and off-balance sheet exposures. All balances are consistent with the Banks statutory accounts
- Government and central bank exposures includes the Bank's cash ratio deposit of £1,205k

Counterparty Risk

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

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

Analysis of Counterparty Credit Risk (CCR) exposure by approach (template 25 EU CCR1) 31 December 2021 £'000		A	B	C	D	E	F	G
		Notional	Replace-ment cost/ current market value	Potential future credit exposure	EEPE	Multi-plier	EAD post CRM	RWAs
1	Mark to market			45			45	23
2	Original exposure							
3	Standardised approach							
4	IMM (for derivatives and SFTs)							
5	*Of which securities financing transactions*							
6	*Of which derivatives and long settlement transactions*							
7	*Of which from contractual cross-product netting*							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	Total							23

Template 26: EU CCR2 – CVA capital charge

Credit Valuation Adjustment (CVA) Charge (template 26 EU CCR2) 31 December 2021 £'000		A	B
		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including 3*multiplier)		
3	(ii) SVaR component (including the 3* multiplier)		
4	All portfolios subject to the Standardised method	45	23
EU4	Based on original exposure method		
5	Total subject to the CVA capital charge	45	23

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

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

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

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

Please see section 9 for this table,

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

	Impact of netting and collateral held on exposure values (template 31: EU CCR5 A) 31 December 2021 £'000					
		A	B	C	D	E
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	45		45		45
4	Total	45		45		45

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

Composition of collateral for exposure to CRR (template 32: EU CCR5 B) 31 December 2021 £'000						
	A	B	C	D	E	F
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Total	-	-	-	280	-	-