REDWOOD BANK LIMITED

PILLAR 3 DISCLOSURES

For the year ended 31 December 2020

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1. Overview

This document sets out the Pillar 3 disclosures of Redwood Bank Limited ("the Bank") as at 31 December 2020. The disclosures have been prepared in accordance with the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR), together known as CRD IV, which came into force on 1 January 2014.

The CRD sets the framework for implementing Basel III in the European Union (the Basel Framework). All article references made within this document refer to the CRR (Regulation (EU) No 575/2013).

The framework consists of the following three Pillars of regulation:

- Pillar 1 defines minimum capital requirements for certain risks, including credit, market and operational risks;
- Pillar 2 sets out the supervisory review process; and
- Pillar 3 on market discipline specifies disclosure requirements, which allow market participants to assess key pieces of information on the firm's capital, risk exposures and risk assessment process.

The Bank has established a disclosure policy for Pillar 3 information that sets out the internal controls and procedures to be applied in producing the disclosure. Pillar 3 disclosures will be prepared and updated on an annual basis, or more frequently if there is a material change to the previously disclosed data or information. The Pillar 3 document should be read in conjunction with the Bank's Annual Report & Financial Statements for the year ending 31st December 2020 filed at Companies House.

2. Pillar 3 Disclosure Policy

The Bank fully appreciates the overarching objectives of Pillar 3 disclosures, which are to promote market discipline and improve comparability and consistency of disclosures. These objectives help to encourage banks to assess risk, maintain capital and develop and maintain sound risk management systems and practices.

The Bank's Pillar 3 disclosures set out its risk management objectives and policies covering:

- the strategies and processes to manage those risks;
- the structure and organisation of the relevant risk management function or other appropriate arrangements;
- the scope and nature of risk reporting and measurement systems; and
- the policies for hedging and mitigating risk.

2.1 Non-material, proprietary or confidential information

The Bank has not sought any exemption from its disclosure on the basis of materiality or on the basis of proprietary or confidential information.

2.2 Verification

These disclosures are not audited but have been reviewed by the Risk Committee, which has recommended to the Board that the disclosures are made available upon request through the Bank’s website.

Certain information has been extracted from the Bank’s audited Annual Report and Financial Statements for the year ended 31 December 2020.

3. Strategic Risk Management Framework

3.1 Background

The primary strategy of the Bank is to lend to Small and Medium sized enterprises (SMEs), financed primarily by deposits from specialist market sectors such as SMEs, charities, clubs and associations.

The Bank had three lending products as at 31 December 2020:

(i) *SME Owner/Occupier Mortgages* - mainstream commercial mortgages to business owners, secured over commercial property. This product covers general industrial & distribution businesses, retail premises, offices, leisure, smaller hotels, guesthouses and bed and breakfast businesses and trading assets that are modern and purpose built.

(ii) *SME Property Investment Mortgages* - secured mainstream commercial or residential buy-to let mortgages to experienced property investors. Investment property portfolios will have good tenant profiles and/or a wide spread of tenant risk.

(iii) *SME Property Refurbishment* – an initial refurbishment loan, coupled with a long-term investment mortgage as above.

Loans are secured, with UK commercial or residential real estate as the primary security, either freehold, or leasehold with an unexpired term of at least 75 years over the term of the mortgage agreed. The loans are for terms between 2 and 25 (maximum for commercial property) or 2 and30 (maximum for residential property) years.

The Bank's deposit product offering at 31 December 2020 consisted of business notice accounts, with both 35-day notice and 95-day notice products and 12 Months Fixed term bonds. These accounts are competitively priced for the Bank's targeted markets of SMEs, charities, clubs and associations.

As the governing body of the Bank, it is the responsibility of the Board to understand and manage the risks the Bank faces in pursuit of this strategy. Therefore, the Bank has established a robust risk governance and risk appetite infrastructure to identify, measure and control each risk within agreed risk tolerances.

3.2 Governance

The Bank operates with a Board of Directors, Board Risk Committee, a Board Audit & Compliance Committee (ACC), Nominations and Governance Committee, Renumeration Committee, an Executive Committee, Assets & Liabilities Committee (ALCO) and a Credit Committee. Within this Framework the Bank operates a typical banking "Three Lines of Defence" risk mitigation structure, as follows:

3.2.1 First Line of Defence (FLOD)

The FLOD comprises the Bank's client facing and primary origination units (e.g., secured residential and commercial mortgage lending) plus finance and treasury, IT, operations and human resources. All members of such areas play a key role in the Bank's risk management processes and are required to understand and review the Bank's risk policies and procedures relevant to the activities they undertake.

The following specific responsibilities are allocated to the FLOD:

i) Ownership of the risks being faced by the Bank.
ii) Preparation of new business proposals and initial risk assessments
iii) Primary responsibility for the day-to-day management of the Bank's exposure to risks arising from their activities undertaken.
iv) Development and maintenance of an effective control environment, which will include preventative and detective controls to ensure that risks, both proposed and existing, remain within the Bank's Risk Appetite; and
v) Production of Management Information in a form and at a frequency commensurate with the underlying risks and activities undertaken.

3.2.2 Second Line of Defence (SLOD)

The SLOD comprises the Bank's oversight and risk management functions. For Redwood, this comprises the Bank's Risk and Compliance teams, and General Counsel, alongside outsourced compliance monitoring provided by RSM.

The SLOD is responsible for:

i) The development and management of the Bank's risk and compliance policies and the oversight of ongoing adherence to their provisions. Specifically, the Risk Management Framework Policy, Operational Risk Policy, Conduct Risk Policy, Lending Policy and Credit Risk Policy.
ii) Monitoring and oversight of the Bank's key Risks.
iii) Independent validation/assessment of proposals (including risk ratings where appropriate) for the assumption, renewal and variation of risk exposures generally.
iv) Risk assessment and approval processes.
v) Oversight and challenge of the FLOD control environment, including risk monitoring.
vi) Enterprise risk management and emerging risk awareness; and
vii) The provision of risk-based Management Information to the Board and relevant Board and Executive Committees.

3.2.3 Third Line of Defence (TLOD)

The TLOD comprises the Bank's Internal Audit Function. To ensure effective coverage of the Bank's activities and risk universe the Bank has elected to fully outsource its internal audit requirement. The Bank's TLOD is currently outsourced to Deloitte.

The TLOD is responsible for providing independent assurance on the effectiveness of the design and implementation of the Bank's control environment for management of risk, considering the Bank's exposures to risks, its strategy and risk appetite.

TLOD responsibilities are contained within an Internal Audit Charter, which is subject to the independent oversight of the Board Audit and Compliance Committee ("Audit & Compliance Committee").

3.3 Responsibilities of the Board, Board sub-committees and Management Committees.

Board

The Board has overall responsibility for the Company. All the powers of the Company are vested in and exercised by the Board; but some are delegated through job specifications and to various committees.

The role of the Board is to provide strategic direction for the Bank within a framework of prudent and effective controls through the regular assessment of management information which enables risks to be assessed and managed.

Board Committees

The Risk Committee has been established by the Board to identify, control, and manage the risks inherent in the Company ensuring that these risks are fully documented for approval, and to recommend to the Board risk appetite statements.

The Audit & Compliance Committee has been established by the Board to provide an independent interface with the external auditors and to direct the work of the Internal Audit and Compliance functions.

There is also a Nominations and Governance Committee and a Remuneration Committee to ensure there is formal oversight over items including succession and an increased formalisation of the governance and review structures. The Committee governance has also been enhanced, by increasing the independence of each committee through, where appropriate the removal of previous non-independent members and re-defining the Terms of Reference.

Management Committees

The Executive Committee ("Exco") is an executive committee established by the Board to manage the activities of the Bank on an on-going basis, within the framework of the Business Plan and subject to the overall control of the Board. Exco is supported by (i) the Project and Systems Development Committee (PSysCo) which focuses on determining the IT requirements and major projects of the Bank and to ensure these are delivered on an on-going basis and (ii) Marketing and Products Committee (MapCo) which focuses on developing new and existing products and marketing activity to support the Bank's Business Plan

The Credit Committee manages and monitors the lending activities of the Bank on a day-to-day basis. It has been authorised to do so by the Risk Committee within the framework of the Business Plan and the Policies approved by the Risk Committee. The Credit Committee will regularly review and opine on specific lending requests from customers and in addition meet monthly to undertake its wider responsibilities.

The Assets & Liabilities Committee ("ALCO") is an executive committee which monitors the liquidity, financial and interest rate risk management, funding and net interest margin of the Company on an on-going basis, within the framework of the Business Plan, and the Policies recommended by this committee and approved by the Risk Committee.

Capital management is embedded in the day to day management of the business and is reported to ALCO, Executive Committee, Risk Committee and the Board on a regular basis. In addition to this Business as Usual perspective the Board and its supporting Committees develop the Bank's Strategic Plan and Budget on an annual basis, and assess the impacts of the strategic decisions included in such documents on the Bank's current and future capital position.

The Sub Assets & Liabilities Committee ("Sub-ALCO") is a sub-committee of the Assets & Liabilities Committee ("ALCO"), established by ALCO to challenge and authorise the submission of prudential regulatory returns and oversee the regulatory reporting of the Bank.

Figure 1 – Governance Structure

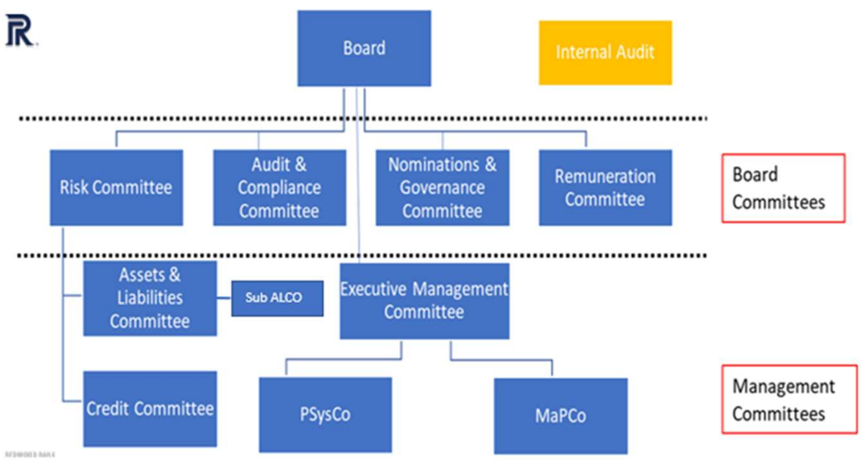

Figure 1

3.4 Risk Management Objectives

The risk management objectives of the Bank are to:

- Protect the interests of all stakeholders in the Bank.
- Identify and evaluate the major risks facing the Bank.
- Take action to mitigate the impact of these risks where appropriate.
- Report identified risks and actions to the Risk Committee.
- Integrate risk management into the culture of the Bank.
- Fully document major threats and weaknesses.
- Implement cost effective actions to reduce risks.
- Maintain, update and revise a register of risks and their controls.
- Record and report losses and "near miss" events.
- Maintain a record of breaches of Risk Management Policy and controls.
- Ensuring adherence to the Risk Appetite of the Bank

3.5 Risk Identification

Managers, or their nominated deputies, are required to work with the Risk and Compliance team to identify the specific risks within their areas of responsibility, their likelihood and impact, and to specify how these risks will be controlled and their consequences reduced. This forms the basis of the Risk Register, which details the Bank's risks.

Identification of risks is the first stage of the risk management process. The following processes ensure that all risks are identified in a timely manner:

- Risk Committee review the Risk Register at least twice yearly to ensure that the Register includes all current and emergent risks facing the Bank.
- Internal Audit, External Audit and other relevant external reports are assessed for risks that may need to be included in the Risk Register.
- All staff members are encouraged to bring to the attention of Risk and Compliance any new and/or potential emergent risk.
- The Bank has a whistleblowing policy which encourages staff to report issues of concern to the whistleblowing champion who is an independent non-executive director.

At least twice yearly, all risk owners are required to attest to the accuracy of the Risk Register regarding the probability and impact scores of each risk and the effectiveness of the controls which manage these risks.

3.6 Risk Categorisation

The Risk Management Framework identifies seven different risk categories into which all identified risks are allocated as per Table 1 below:

Table 1 : Risk categories

Key Risks	Appetite Statement
Business and Strategy Risk	**Capital** The Bank will maintain minimum capital resources equivalent of the greater of the sum of prevailing regulatory Total Capital Requirement (TCR) and all capital buffers, or the Bank's own internal estimates of capital adequacy. **Pre-Tax Losses** It is fully expected that in the early start up years the Bank will incur pre-tax losses. However, once the Bank reaches profitability, going forward it should maintain pre-tax profitability throughout any economic cycle, including any downturn.
Credit and Concentration Risk	The Bank's primary aim is to lend money to small and medium sized enterprises. The Bank has a low tolerance for credit losses but recognises that losses are inevitable in any lending portfolio. The Bank will seek to maintain a balance between low tolerance for losses and the need to maintain adequate returns against the basic principles of lending responsibly and treating customers fairly and frankly. The Bank seeks to avoid concentration risk by diversification of geographic areas, business sectors and individual clients.
Financial (Liquidity, Funding and IRRBB) Risk	**Liquidity and Funding** At all times the Bank will maintain adequate liquidity resources to meet all liabilities as they fall due by holding sufficient high-quality liquid assets to meet the greater of the Regulator's requirements or the Bank's own internal estimates of liquidity adequacy, taking into consideration various stress scenarios and the funding available to the Bank. **Interest Rate Risk** The Bank will take necessary steps to protect its earnings and market value from fluctuations in interest rates.
Operational Risk	The Bank has a low tolerance for operational losses and seeks to run its business in such a way that operational losses are avoided at all times. The Bank recognises that some operational losses are inevitable and therefore ensures that significant losses are logged, investigated and subject to root-cause analysis.
Compliance and Regulatory	The Board has no appetite for failure to respond to and implement proportionate controls to meet relevant regulatory developments, rules and guidance.
Conduct	The Bank will act in the best interests of customers at all times. It will comply fully with all laws and regulations relating to the conduct of its business and will ensure that customers are treated fairly, responsibly and with respect.

3.7 Internal Control Framework

The Risk Committee and Audit & Compliance Committee (ACC) are both Board sub-committees whose members comprise Non-Executive Directors, with the CEO and CFO and General Counsel also attending the Risk Committee. The Risk and Compliance Department is the independent second line of defence with the Chief Risk Officer reporting directly to the CEO, but also to the Chairs of the ACC and the Risk Committee. Assurance is provided by RSM Risk Assurance Services, who carry out independent reviews on behalf of the Risk and Compliance Department. The reviews are scheduled using risk-based prioritisation and schedule risks to be addressed annually, every two years or every three years for a rolling three-year cycle, ensuring the coverage of all risks.

3.8 Compliance
The Chief Risk Officer has accountability and responsibility for the Compliance function within the Bank. The Bank operates a standard "Three Lines of Defence" model, whereby compliance responsibility as the "First Line" of defence remains with the front-line business and operating departments, and with the Senior Management thereof. The Compliance function comprises the "Second Line" of defence, and has responsibility for providing compliance advice and expertise, independent oversight, and carrying out reviews and sign-off of new products/customer documentation etc.

3.9 Internal Audit
Internal audit comprises the "Third Line" of defence. The Internal Audit function, but not its ultimate accountability which resides with the Audit and Compliance Committee, is outsourced to Deloitte. The Bank and its internal audit partner together continuously develop and refine an annual Internal Audit Plan, which is presented to, and approved by, the Audit & Compliance Committee. The Bank meets with Deloitte on a regular basis to review the Audit Plan and ensure the internal auditors complete the audits as per the agreed plan.

4. Risk Governance & Organisational Structure

Risk governance refers to the processes and structures established by the Board, to ensure that risks are taken within the approved appetite, with clear delineation between risk taking and oversight responsibilities.

The Bank has established a structural approach to risk governance, ensuring an effective level of alignment between oversight and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for Board and Management committees, control functions and the accountable executives. The risk-based roles and responsibilities are organised in adherence to the 'three lines of defence' principle to ensure appropriate levels of segregation.

The Bank's risk governance framework is summarised in the diagram below.

Figure 2 - Board Composition as at 31st December 2020

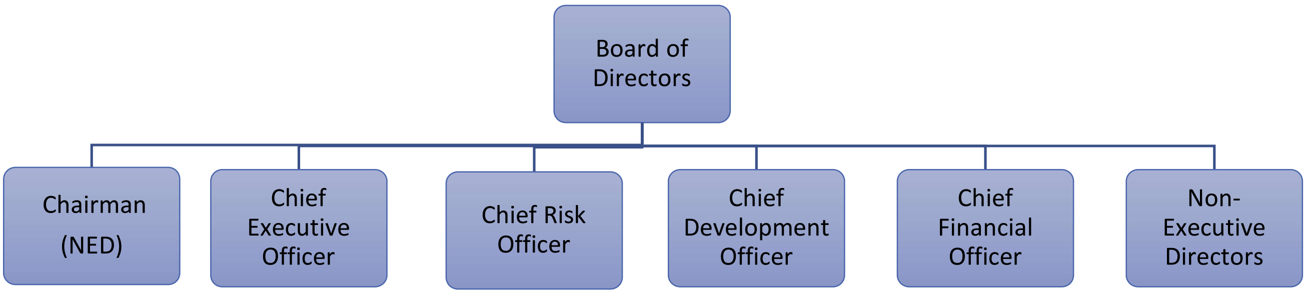

Figure 3 - Board Committees as at 31st December 2020

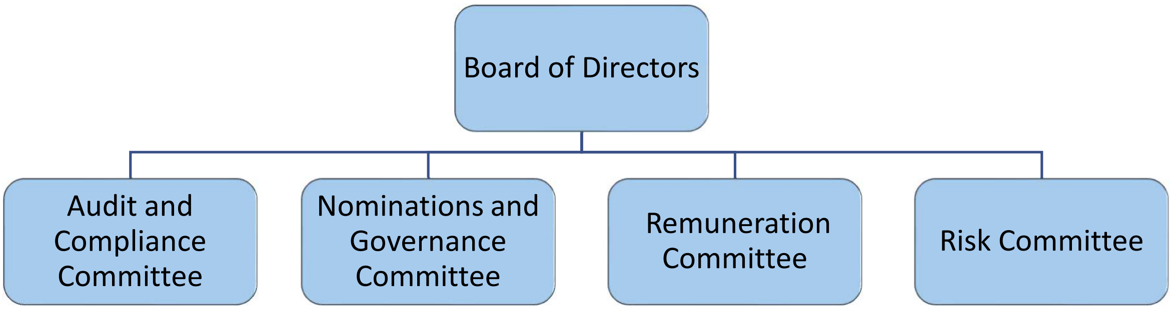

Table 2: Board Committees

Committee	Main objectives and responsibilities
Audit & Compliance Committee	On behalf of the Board the Committee is responsible for reviewing the work of the Compliance, Internal Audit and External Audit functions, including the establishment of work programmes, the review of all reports produced and the assessment of the effectiveness of these functions. The Committee will be responsible for making recommendations to the Board in respect of the appointment of the Internal and External Auditors and their terms of engagement.
Risk Committee	On behalf of the Board the Committee is responsible for reviewing all risks arising from the Bank's activities. The Committee reviews the Bank's ICAAP, ILAAP, Recovery Plan, Resolution Pack and Pillar 3 documents and recommends these to the Board for approval. The Committee is responsible for assessing and sanctioning lending recommendations made by the Credit Committee that fall outside any limits contained within the lending policy. The Committee is also responsible for reviewing risk appetite, risk management information and risk assessments to ensure that all risks are well understood and managed.

Nominations & Governance Committee	On behalf of the Board the Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, membership and chairmanship of Board Committees, regulatory and strategic developments in corporate governance and for monitoring the governance arrangements of the Bank and the consideration of succession planning and development programmes, and the composition of the Board.
Remuneration Committee	On behalf of the Board, the Committee is responsible for overseeing the appointment, remuneration and other benefits of all Directors and Executive Management. The Committee will make recommendations as appropriate to the Board concerning such matters, including the implementation of any bonus schemes

Table 3: Executive Committees

Committee	Main objectives and responsibilities
Assets & Liabilities Committee	The Assets & Liabilities Committee ("ALCO") is an executive committee established by the Board to monitor the liquidity, financial and interest rate risk management, funding and net interest margin of the Company on an on-going basis within the framework of the Business Plan, and the Policies recommended by this committee are approved by the Risk Committee.
Sub Assets & Liabilities Committee	The Sub Assets & Liabilities Committee ("Sub-ALCO") is a sub-committee of the Assets & Liabilities Committee ("ALCO"), established by ALCO to challenge and authorise the submission of prudential regulatory returns and oversee the regulatory reporting of the Bank.
Credit Committee	The Credit Committee is an executive committee established by the Board to manage and monitor the lending activities of the Bank on a day-to-day basis. It has been authorised to do so by the Risk Committee within the framework of the Business Plan and the Policies approved by the Risk Committee. The Credit Committee will regularly review and opine on specific lending requests from customers and in addition meet monthly to undertake its wider responsibilities.
Executive Management Committee	The Executive Management Committee("EXCO") is an Executive Committee established by the Board to manage the activities of the Bank on an on-going basis, within the framework of the Business Plan and subject to the overall control of the Board. The Exco is responsible for approving the Terms of Reference and responsibilities of the Marketing & Product Committee, and the Project & Systems Development Committee, and receives Minutes from these Committees.
Project & Systems Development Committee	The Project & Systems Development Committee is a Sub-Committee EXCO established to determine the IT requirements and major projects of the Bank and to ensure these are delivered on an on-going basis. The Committee is responsible for making recommendations to EXCO in respect of the IT requirements of the Bank, including the development of change activities and related projects in accordance with the Business Plan and budget.
Marketing & Products Committee	The Marketing & Products Committee is a Sub-Committee of the EXCO established to develop new and existing products and marketing activity to support the Bank's Business Plan. The Committee is responsible for making recommendations to EXCO in respect of new and existing products, marketing activities and materials and brand development for the Bank. The Committee is responsible for considering the customer journey and conduct risk related to these activities.

Risk Categories

The Bank's risk profile has been managed in accordance with Board approved risk appetite.

Credit and Concentration Risk

The Bank's primary aim is to lend to small and medium sized enterprises. The Bank had three main lending products as at 31 December 2020:

(i) *SME Owner/Occupier Mortgages* - mainstream commercial mortgages to business owners, secured over commercial property. This product covers general industrial & distribution businesses, retail premises, offices, leisure, smaller hotels, guesthouses and bed and breakfast businesses and trading assets that are modern and purpose built.

(ii) *SME Property Investment Mortgages* - secured mainstream commercial or residential buy-to let mortgages to experienced property investors. Commercial Investment property portfolios are required to have good tenant profiles and/or a wide spread of tenant risk.

(iii) *SME Property Refurbishment* – an initial refurbishment loan, coupled with a long-term investment mortgage as above.

All loans are secured, with UK commercial or residential real estate as the primary security, either freehold, or leasehold with an unexpired term of at least 75 years over the term of the mortgage agreed. The loans are for terms between 2 and 25 years (maximum for commercial property) or 30 years (maximum for residential property).

The Bank monitors the geographical and sectoral concentration of its loan book against limits set out in the Bank's lending policy.

The Bank has a low tolerance for credit losses, but some losses are inevitable in any lending portfolio. The Bank has not recorded any default or any credit risk related losses in 2020. The Bank recorded seven (2019: one) impaired loans, with outstanding balances of £6,531k (2019: £643k) at the end of the year.

As at 31 December 2020 the Bank had counterparty exposure to one wholesale counterparty in the UK, rated A+ by Fitch. The Bank had no derivatives transactions outstanding as at 31 December 2020. The Bank also had exposure to the UK government in respect of its holdings of UK Gilts and Treasury Bills.

Financial - Liquidity & Funding Risk

The Bank has a prudent approach to liquidity management through maintaining sufficient liquidity resources to meet cash flow obligations in both normal and stressed conditions. The Bank has set a liquidity risk appetite to ensure that it always operates above the minimum prudential requirements.

The Bank holds a portfolio of High-Quality Liquid Assets (HQLA) and has a Bank of England Reserve Account, which is used to hold liquidity. At the 31st December 2020 the bank had encumbered £20.2m of its gilts as collateral for drawdowns from the Bank of England's Term Funding Scheme for SMEs (TFSME).

During the course of 2020 the Bank actively managed its liquidity and funding profile within the confines of its risk appetite as set out in its risk policies and reviewed in its Individual Liquidity Adequacy Assessment Process (ILAAP).

Financial - Interest Rate Risk in the Banking Book

The Bank has a low appetite for interest rate risk and does not seek to take a significant directional interest rate position. Limits have been set to protect earnings and market value from fluctuations in interest rates. Capital has been allocated for this risk, expressed as a variable capital add-on under Pillar 2, and is related to the Bank's risk-weighted assets.

Capital allocation for interest rate risk in the banking book has been set in proportion to CET1 capital, with exposure assessed, monitored and reported daily. The balance sheet is also analysed for basis risk and reported against risk appetite to ALCO monthly, with oversight provided by the Risk Committee. Redwood Bank does not have a trading book.

The Bank is exposed to Basis Risk which arises from assets and liabilities re-pricing with reference to different interest rate indices, including positions which reference variable market, central bank policy and managed rates. The Bank does not seek to take a significant basis risk position but maintains defined limits to allow operational flexibility. Risk appetite for basis risk is set out in the Bank's policy statements which are approved by Risk Committee and ratified by the Board.

The Bank's assets and liabilities are all denominated in sterling and the Bank has no exposure to movements in foreign exchange rates or overseas interest rates.

Financial – Market risk

The Bank is not exposed to Market Risk as it does not operate a Trading book.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. These could arise from information technology, cyber, information security, tax, legal, fraud and compliance risks.

The Bank has adopted the Basic Indicator Approach to operational risk, and thus will hold, as a minimum, capital against the risk equal to 15% of the projected three-year average net operating income (net interest income plus fees and commissions).

The Bank held Pillar 1 capital against this risk of £995,461 as at 31st December 2020.

The first line of defence is responsible for the management of operational risk in accordance with policies, governance, agreed processes and controls. The second line of defence provides oversight and challenge, supplemented by a programme of regular assurance testing. The third line of defence (internal audit) provides an independent overview of key operational risk controls and frameworks via an agreed programme of audits.

The Bank has established a risk management framework, supported by clear policies which are designed to ensure the Bank operates within a low appetite for operational risk. Monitoring and reporting of the overall risk profile is undertaken via operationally focused committees reporting into the Executive Management Committee and the Risk Committee.

Compliance and Regulatory Risk

The Bank is committed to the highest standards of regulatory conduct and aims to minimise breaches, financial costs and reputational damage associated with non-compliance.

The Bank has established a compliance function which actively identifies, assesses and monitors adherence with current regulation and the impact of emerging regulation.

The Bank maintains a proactive relationship with key regulators, engages with industry bodies such as the Financial Services Culture Board and UK Finance, and seeks external advice from our professional advisors. The Bank also assesses the impact of upstream regulation on its business and the wider markets in which it operates and undertakes robust assurance assessments from within the Risk and Compliance functions.

Business & Strategy Risk

The Board has clearly articulated the Bank's strategic vision and business objectives underpinned by performance targets. The Bank does not intend to undertake any medium to long term strategic actions which would put at risk the Bank's vision of being a leading specialist lender in its chosen markets and being backed by a strong and dependable saving franchise.

To deliver against its strategic objectives and Business Plan, the Bank has adopted a resilient and efficient business operating model based on a focused approach to core niche markets, where its experience and capabilities give it a clear competitive advantage.

The Bank remains highly focused on delivering against its core strategic objectives and strengthening its market position further through sustainable financial performance.

The Bank has maintained an appropriate level and quality of capital to support its objectives and to meet its prudential requirements.

The Board requires that the Bank will maintain capital resources equivalent to the greater of the prevailing regulatory Total Capital Requirement (TCR) plus CRD IV buffers, or the Bank's own internal estimates of its capital requirements. In order to ensure that regulatory limits are not breached, the Bank sets internal limits above the regulatory limits.

It was fully expected that in the early start up years the Bank will incur pre-tax losses. The Bank incurred a loss of £1.7m in 2020, mainly because of an increased impairment provision of £2.7m, due to the uncertainty and economic instability brought about by the COVID-19 pandemic. Under BAU conditions the Bank would have expected to make its first annual profit in 2020 and going forward it should maintain pre-tax profitability throughout any economic cycle, including any downturn.

There is a comprehensive capital management plan in place, including the Internal Capital Adequacy Assessment Process (ICAAP) which ensures appropriate capital and leverage ratios are maintained.

Reputation / Franchise Risk

The Bank recognises that maintaining customer and market confidence in the Bank is critical for its continued operation and viability. As such, all business decisions are taken after due consideration of the potential impact on the Bank's reputation. Reputation/franchise risk is considered across all the Bank's key risk management documents.

Conduct Risk

Conduct risk is the risk that the Bank's behaviours, culture and approach lead to poor outcomes for customers, damage the integrity of or trust in the Bank, or harm market integrity or fair competition. The Bank views effective conduct risk management as a core feature of its risk culture and values, and its risk appetite statement sets out that the Bank will act in the best interests of customers at all times. It will comply fully with all laws and regulations relating to the conduct of its business and will ensure that customers are treated fairly, responsibly and with respect.

On an isolated basis, incidents can result in customer detriment due to human and/or operational failures. Where such incidents occur, they are thoroughly investigated, and the appropriate remedial actions are taken to address any customer detriment and to prevent recurrence.

The Bank monitors measures which assess whether products have been appropriately designed, levels of complaints and expressions of dissatisfaction, customer satisfaction scores and other feedback. Employee training and awareness is carried out as part of the annual programme of training for all staff.

Risk Based Submissions

The Bank undertakes a comprehensive review of its current and projected risk profiles based on expected and stressed market and economic conditions. The three primary risk-based annual planning exercises are the annual review of the strategic plan, the ICAAP and the ILAAP, which are supplemented with the Recovery Plan and Solvent Wind Down Plan. The strategic plan describes the Bank's strategic direction for the planning horizon (5 years) including product and marketing strategies, culture, brand and brand values, competitor analysis, risk appetite and management, governance, operational requirements, financial forecasts and scenario analysis. The ICAAP informs the Board's and management's view on the level and quality of capital needed to meet the prudential and risk-based capital requirements over the planning horizon under base and stress scenarios. The ICAAP is an integral input into the PRA's supervisory review process (C-SREP) and forms the basis upon which the Bank's capital guidance is set. The ILAAP informs the Board's view on the Bank's level and quality of liquidity buffer and liquidity management framework. It is an input to the PRA's L-SREP process, which leads to regulatory liquidity buffer guidance (ILG).

The Bank also reviews and updates its Recovery Plan, Solvent Wind Down Plan and Resolution Pack, normally on an annual basis. The review is designed to ensure that the Bank's Recovery Plan is credible and can be implemented in a time of stress. The Bank's recovery options are assessed for feasibility and time to implementation under stressed conditions. The Bank has identified a suite of early warning indicators and triggers which inform the nature and type of recovery options which would be put in place. The Solvent Wind Down Plan provides a playbook of options and implications should the Recovery Plan not deliver the required and intended improvement. The Resolution Pack provides the regulatory authorities with information and analysis on the Bank's businesses, organisation and structures to facilitate an orderly resolution should it become necessary.

Recovery Plan, Solvent Wind Down Plan and the Resolution Pack

The Bank is committed to developing and maintaining the Recovery Plan, Solvent Wind Down Plan and the Resolution Pack as a core component of its risk management framework.

The recovery plan process is designed to ensure that the Bank's recovery plan is credible and can be implemented in a time of stress. The Bank's recovery options must be appropriate to ensure its survival and the Bank must be able to execute these options in a timely manner. The Bank has developed a suite of indicators and triggers to ensure it can become aware of, and react to, a firm specific, market wide or combined stress in time to apply remedial actions to ensure the Bank does not fail. These indicators have been set considering the information gathered as part of the Bank’s ICAAP and ILAAP updates.
The Bank has created and continues to update its Solvent Wind Down Plan. The Bank has introduced qualitative and quantitative solvent winddown triggers which are actively monitored by ALCO.

Resolution planning is the provision of information and analysis to the authorities, in order to help them prepare a resolution plan for the Bank.

The Bank's Recovery Plan, Solvent Wind Down Plan and Resolution Pack have been reviewed and approved by the Board.

5. Overview of risk management, key prudential metrics and RWA

As at the 31st December 2020 the Bank comfortably met all its regulatory requirements on Capital and Liquidity.

Table 4: Overview of prudential metrics

		2020	2019
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1)	27,396,631	25,830,817
1a	Fully loaded ECL accounting model	27,396,631	25,830,817
2	Tier 1	27,396,631	25,830,817
2a	Fully loaded ECL accounting model Tier 1	27,396,631	25,830,817
3	Total regulatory capital	38,647,805	26,211,691
3a	Fully loaded ECL accounting model regulatory capital	38,647,805	26,211,691
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	205,441,523	114,001,332
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	13.34%	20.08%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	13.34%	20.08%
6	Tier 1 ratio (%)	13.34%	20.08%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.34%	20.08%
7	Total regulatory capital ratio (%)	18.81%	20.38%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.81%	20.38%
	Additional CET1 buffer requirements as a percentage of RWA		
8	Capital conservation buffer requirement (2.5% @ 31/12/2020) (%)	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	1.00%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0%	0.00%
11	Total of Bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	3.50%

12	CET1 available after meeting the Bank's minimum capital requirements (%) before buffers	4.34%	7.89%
	Basel III Leverage Ratio		
13	Total Basel III Leverage ratio exposure measure	448,047,098	264,626,187
14	Basel III leverage ratio (%) (row 2 / row 13)	6.11%	9.76%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 3 / row 13)	8.15%	9.91%
	Liquidity Coverage Ratio		
15	Total HQLA	88,860,083	84,588,399
16	Total net cash outflows	18,303,758	15,634,030
17	LCR ratio (%)	485.47%	541.05%

Table 5: Capital Resources Table **6: Available Capital Resources** summarises the composition of regulatory capital resources as of 31 December 2020.

Type of Capital	Description
Common Equity Tier 1 ("CET1")	The Bank's CET1 capital comprises ordinary share capital, share premium and allowable reserves, less accumulated losses. Adjustments included in CET1 include a deduction for intangible assets.
Tier 2 capital	The Bank's Tier 2 capital comprises qualifying subordinated debt liability and collective impairment provisions. The subordinated debt liability is unsecured and ranks behind any claims against the Bank from all depositors and creditors. The regulatory rules limit the amount of Tier 2 being held as qualifying regulatory capital to a maximum of 25% of Pillar 1 and 2A capital.

Capital Resources

The Bank's capital resources are in the majority composed of CET1 eligible capital and complied with all capital requirements to which it is subject, for the year ended December 2020. During the year the bank received an investment from its shareholders of £3.2m of CET1 and issued £9.0m of subordinated debt eligible for use as Tier 2 capital. Due to the restrictions, of the £9.0m Tier 2 capital instrument £2.8m is currently not available to meet the Pillar 1 & 2A requirements.

Table 6: Available Capital Resources

	Composition of Regulatory Capital	2020	2019
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	38,022,516	34,822,627
2	Retained earnings	- 10,456,684	- 8,753,208
3	Accumulated other comprehensive income (and other reserves)	14,876	- 42,763
6	**Common Equity Tier 1 capital before regulatory adjustments**	**27,580,708**	**26,026,656**
	Common Equity Tier 1 capital: regulatory adjustments		
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	- 180,203	- 191,854
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	- 3,874	- 3,874
28	**Total regulatory adjustments to Common Equity Tier 1 capital**	**- 184,077**	**- 195,728**
29	**Common Equity Tier 1 capital (CET1)**	**27,396,631**	**25,830,817**
	Additional Tier 1 capital: regulatory adjustments		
43	**Total regulatory adjustments to additional Tier 1 capital**	-	-
44	**Additional Tier 1 capital (AT1)**	-	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,396,631**	**25,830,817**
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	9,000,000	3,874
50	Provisions	2,251,174	377,000
51	**Tier 2 capital before regulatory adjustments**	**11,251,174**	**380,874**
	Tier 2 capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	-	-
58	**Tier 2 capital**	**11,251,174**	**380,874**
59	**Total regulatory capital (= Tier 1 + Tier2)**	**38,647,805**	**26,211,691**
60	**Total risk-weighted assets**	**205,441,525**	**129,397,106**
	Capital adequacy ratios and buffers		
61	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets)**	**13.34%**	**20.08%**
62	**Tier 1 capital (as a percentage of risk-weighted assets)**	**13.34%**	**20.08%**
63	**Total capital (as a percentage of risk-weighted assets)**	**18.81%**	**20.38%**
68	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**4.34%**	**7.89%**

6. Capital requirements

Redwood will maintain a strong and healthy capital position at all times and has set a number of internal triggers to ensure no regulatory requirements are breached. As a result, the Bank maintains capital adequacy ratios above minimum regulatory requirements.

The Bank was operating under a prescribed Total Capital Requirement (TCR) of 11.99% for the year ended 31 December 2020 made up as follows.

Table 7: Capital Requirements

Requirement	Calculation Method	Description	Requirements
Pillar 1			
Credit Risk	Standardised Approach	The Bank applies the standardised method to the entire loan book and other assets. The standardised approach applies a prescribed set of risk weightings to credit risk exposures.	Pillar 1 Requirements (per article 92 of the CRR): 4.5% of RWAs met by CET1 capital 6.0% of RWAs met by Tier 1 Capital 8.0% of RWAs met by total capital.
Market Risk	N/A	The Bank does not operate a trading book and any financial market transactions such as derivatives will only be entered into to hedge the Bank's balance sheet. Therefore, market risk has not been considered in the Bank's capital adequacy calculations.	
Operational Risk	Basic Indicator Approach	The Bank applies the BIA for operational risk capital requirements in accordance with CRR Article 315. A 15% multiplier is applied to the historical and / or forecast average net interest and fee income for three years (per Article 315 (2) of the CRR).	
Credit Valuation Adjustment (CVA)	N/A	Not applicable as Redwood Bank had no derivatives transactions as at 31 December 2020	

Pillar 2			
Pillar 2A	Additional capital is held under Pillar 2 for risks either not captured or not fully captured under Pillar 1. At least annually the Bank undertakes a detailed, forward-looking assessment of capital adequacy in order to assess the Pillar 2 capital requirement. This exercise is part of the ICAAP. Based on the results of the ICAAP the PRA determines the Bank's required TCR which is the Pillar 1 and Pillar 2A requirement.	Expressed as a percentage of RWAs.	Supervisory Statement 31/15 requires banks to disclose the amount and quality of its TCR. Redwood Bank's TCR is 11.99%. At least 56.0% of this must be met with CET 1.
Buffers			
Capital Conservation Buffer (CCoB)	Expressed as a percentage of RWAs.	The capital conservation buffer is part of the CRD IV combined buffer. It is held in combination with the counter-cyclical buffer and the PRA buffer to ensure the Bank can withstand an adverse market stress. To be met with CET1 capital.	2.5% of RWAs
Counter Cyclical Buffer (CCyB)	Expressed as a percentage of RWAs for a specific jurisdiction. In accordance with Regulation (EU) 1152/2014, as foreign credit exposures represent less than 2% aggregate risk weighted exposures, all exposures have been allocated to the UK, as such no other CCyB is applicable to Redwood Bank.		0.0% of RWAs.
PRA Buffer	Expressed as a percentage of RWAs.	The PRA buffer, in combination with the CRD IV combined buffer, is held to ensure the Bank can withstand an adverse market stress. The PRA buffer must be met fully with CET 1 capital.	The PRA buffer is set by the PRA and is not disclosed.

The following table shows the Risk Weighted Assets (RWA) in accordance with the standardised approach to credit risk and the Pillar 1 capital requirement for each of the standardised credit risk exposure classes. The table also shows the Bank's capital requirements due to Operational risk requirements, calculated in accordance with the basic indicator approach.

Table 8: Pillar 1 capital requirements

	2020		2019	
	Risk Weighted Assets	Capital Requirements	Risk Weighted Assets	Capital Requirements
Standardised Exposure Classes	£	£	£	£
Central government and central Banks				
Regional governments or local authorities				
Administrative bodies and non-commercial				
Multilateral development Banks				
International organisations				
Institutions	508,930	40,714	425,199	34,016
Corporates				
Retail				
Secured by mortgages on residential property	57,320,883	4,585,671	26,921,059	2,153,685
Secured by mortgages on commercial real estate	128,085,685	10,246,855	86,655,073	6,932,406
Past due	6,309,056	504,724		
Regulatory high-risk categories				
Covered bonds				
Securitisation positions				
Short-term claims on institutions and corporates				
Collective Investment Undertakings (CIUs)				
Other items	773,708	61,897	784,469	62,757
Total Credit Risk	192,998,262	15,439,861	114,785,800	9,182,864
Operational Risk - Basic Indicator Approach	12,443,263	995,461	14,611,306	1,168,904
Total Pillar 1 Risk Weighted Assets / Capital Requirement	205,441,525	16,435,322	129,397,106	10,351,769

Large Exposures

The Bank has established a conservative internal exposure limit of £5.0m (2019: £3m) at an individual asset level and £6.8m (2019: £5m) on an aggregate exposure level). As at 31 December 2020 this internal threshold is lower than the Large Exposure maximum as per Article 395 of the CRR.

As per Article 392 of the CRR the Bank report on any connected exposure higher than 10% of Total Capital. As of 31 December 2020, there were 17 (2019: 10) connected exposures over 10% of Capital, with the highest exposure being 18.51% (2019: 22.1%) of Total Capital.

Stress Testing

Stress testing is a process by which the Bank's business plans are subjected to severe but plausible adverse impact scenarios to assess the potential impact on the business, including projected capital and liquidity positions on a regular basis. The results of stress testing, along with proposed actions, are reported to ALCO, EXCO, Risk Committee, and to the Board, including the Bank's performance against Board approved risk appetites for performance under stress. Key stress tests are captured in the Individual Liquidity Adequacy Assessment Process (ILAAP) and in the Internal Capital Adequacy Assessment Process (ICAAP) although they are currently not used to set the Bank's Pillar 2 buffers. Additional details on Credit risk, Liquidity risk, and Emerging risks are provided in the subsequent sections of this document.

Subsequent Events

Since the year end, the Bank's parent company has injected a further £5.9m (2020: £3.2m) of share capital on 2 March 2021.

7. Credit Risk

This section provides detailed information regarding the Bank's exposure to credit risk.

Definition of past due and impaired

For regulatory purposes, a financial asset is considered as past due when the contractual payment is overdue for more than three months or has an impairment provision against it. For accounting purposes, a financial asset is treated as past due and then impaired when there is objective evidence that impairment exists either individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Provisions under regulatory rules are calculated on the same basis as impairment provisions, and so all provisions for impaired loans and advances are referred to as impairment provisions.

Details of past due and impaired loans as at 31 December 2020 are presented in Table 9 below.

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ’loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Table 9: Impaired, past due, provisions and provision charges by counterparty type

Counterparty Type 2020	Gross impaired loans £’000	Gross past due loans £’000	Impairment provisions £’000	Charges for impairment provisions during the year £’000
Loans	7,175	7,175	3100	2718
Debt Securities	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Total	7,175	7,175	3100	2718

Counterparty Type 2019	Gross impaired loans £’000	Gross past due loans £’000	Impairment provisions £’000	Charges for impairment provisions during the year £’000
Loans	618	618	382	305
Debt Securities	-	-	-	-
Off-balance sheet exposures	-	-	-	-
Total	618	618	382	305

Table 10: Reconciliation of changes in provisions for impaired exposures

2020 Impairment provisions	£'000
Opening balance as at 1 January 2020	382
Write offs in year	-
Disposals	-
Transfers between reserves	-
Charge/(credit) for the year net of recoveries	2,718
31 December 2020	**3,100**
2019 Impairment provisions	£'000
Opening balance as at 1 January 2019	241
Write offs in year	164
Disposals	-
Transfers between reserves	-
Charge/(credit) for the year net of recoveries	305
31 December 2019	**382**

Credit risk exposure breakdowns

The following tables show the Bank's credit risk exposure as at 31 December 2020.

Table 11: Credit risk exposure, Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM) effects

Standardised Exposure Classes	Exposures before CCF and CRM		Exposures after CCF and CRM		After applying SME factor	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central government and central Banks	109,045,983		109,045,983		-	0.0%
Regional governments or local authorities						
Administrative bodies and non-commercial						
Multilateral development Banks						
International organisations						
Institutions	2,544,648		2,544,648		508,930	20.0%
Corporates						
Retail						

Secured by mortgages on residential property	158,580,923	10,743,153	158,574,223	1,450,641	57,320,883	35.8%
Secured by mortgages on commercial real estate	163,368,084	31,382,055	163,368,084	4,939,059	128,085,685	76.1%
Past due	7,175,131		6,309,056		6,309,056	100.0%
High risk						
Covered bonds						
Securitisation positions						
Short-term claims on institutions and corporates						
Collective Investment Undertakings (CIUs)						
Other items	773,783		797,733		773,708	97.0%
Total	441,488,552	42,125,208	440,639,727	6,389,700	192,998,260	43.2%

Table 12: Assets by RWA category

	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central Banks	109,045,983									109,045,983
Non-central government public sector entities (PSEs)										-
Multilateral development Banks (MDBs)										-
Banks			2,544,648							2,544,648
Securities firms										-
Corporates										-
Regulatory retail portfolios										-
Secured by residential property				160,024,864						160,024,864
Secured by commercial real estate							168,307,144			168,307,144
Equity										-

Past-due loans							6,309,056			6,309,056
Higher-risk categories										-
Other assets	23,950						773,783			797,733
Total	**109,069,933**	-	**2,544,648**	**160,024,864**	-	-	**175,389,983**	-	-	**447,029,427**

Use of External Credit Assessment Institutions (ECAIs)

The Bank subscribes to Fitch Ratings (Fitch), a PRA recognised ECAI. Ratings assessments provided by Fitch are used by the Bank to establish counterparty credit risk weightings using the PRA standardised approach.

The table below map the ECAI's credit assessment ratings to credit quality steps in order to establish the appropriate risk weightings for the rated credit exposures.

Table 13: Short term claims on Institutions and Corporates

Credit Quality Step	Fitch	Moody	S&P	Risk Weight	Exposure 2020 £	Exposure 2019 £
1	AAA to AA-	AAA to AA-	Aaa to Aa3	20%	0	0
2	A+ to A-	A+ to A-	A1 to A3	20%	2,544,648	2,101,068
3	BBB+ to BBB-	BBB+ to BBB-	Baa1 to	20%	-	-
4	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	50%	-	-
5	B+ to B-	B+ to B-	B1 to B3	50%	-	-
6	CCC+ and below	CCC+ and Below	Caa1 and below	150%	-	-
Total					2,544,648	2,101,068

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk is the risk that the fair value or future cash flows of the Bank's assets and liabilities will fluctuate because of changes in market interest rates.

The Bank is exposed to movements in interest rates reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

The Bank measures IRRBB by applying a 2% parallel shift (upwards and downwards) to interest rates and measuring the fair value of the Bank's assets and liabilities under such interest rate environment.

The Bank's assets are linked to Base Rate and deposits are self-administered, which are highly correlated, which greatly reduces the calculated fair-value IRRBB exposure. The Bank has set internal limits to IRRBB well below the regulatory maximum of 20% of Total Capital and the Banks' exposure to a 2% parallel shift in interest rates was, at the end of December 2020, £1,077k (2019: £416k). This was comfortably below the Bank's appetite for IRRBB. The Bank will consider the use of Interest Rate Swaps to maintain IRRBB within approved limits but has yet to transact any such derivative products.

Securitisation Treatment

As of December 2020, and December 2019, the Bank had no economic interest in any Securitisation vehicle.

Operational Risk

The operational risk capital requirement is calculated under the Basic Indicator Approach as 15 per cent of the three-year average of the Bank's annual gross income. In addition, the Bank maintains levels of operational risk capital consistent with any Pillar 2A adjustment identified through the ICAAP. For new Banks and where historical data is not available, the relevant indicator is taken from the business internal budget and forecasting exercise. As historical data becomes available this will replace business estimates in the calculation of the operational risk requirement under the BIA method.

8. Liquidity Risk

Liquidity is actively monitored on a daily basis by the Bank's Treasury function and reported on a daily and monthly basis through the Asset and Liability Committee, and monthly to the Board. A range of early warning indicators are monitored for early signs of liquidity risk. These include a range of quantitative and qualitative measures that include the close monitoring of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Liquidity Coverage Ratio (LCR)

The Bank's LCR as at the 31st December 2020 was 485.47% (2019: 541.05%). The Bank's HQLA was entirely composed of UK Sovereign Debt securities and cash held in the Bank's Reserve Account with the Bank of England.

Table 14: Liquidity Coverage Ratio (2020)

	High-quality liquid assets	Total unweighted amount	Total weighted amount
1	Total HQLA	88,860,083	88,860,083
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	10,320,301	7,601,231
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative Banks		
7	Non-operational deposits (all counterparties		
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations	42,125,208	14,743,823
15	Other contingent funding obligations		
16	TOTAL CASH OUTFLOWS	52,445,509	22,345,054
	Cash inflows		
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures	1,801,808	1,571,648
19	Other cash inflows	2,469,648	2,469,648
20	TOTAL CASH INFLOWS	4,271,456	4,041,296
			Total adjusted value
21	Total HQLA		88,860,083
22	Total net cash outflows		18,303,758
23	Liquidity Coverage Ratio (%)		485.47%

Table 15: Liquidity Coverage Ratio (2019)

	High-quality liquid assets	Total unweighted amount	Total weighted amount
1	Total HQLA	84,588,399	84,588,399
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	9,737,131	8,695,096
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative Banks		
7	Non-operational deposits (all counterparties		
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations	28,584,883	10,004,709
15	Other contingent funding obligations		
16	TOTAL CASH OUTFLOWS	38,322,014	18,699,805
	Cash inflows		
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	1,014,778	
19	Other cash inflows	2,050,997	
20	TOTAL CASH INFLOWS		3,065,775
			Total adjusted value
21	Total HQLA		84,588,399
22	Total net cash outflows		15,634,030
23	Liquidity Coverage Ratio (%)		541.05%

Net Stable Funding Ratio (NSFR)

The Bank's NSFR aims to ensure that the Group has an acceptable amount of stable funding to support assets over a one-year period of extended stress. Based on current interpretations of regulatory requirements and guidance, the NSFR as at 31 December 2020 is 150.5% (2019: 170.9%). This is more than the minimum level of 100% required by the Basel Committee on Banking Supervision and European Commission.

Table 16: Net Stable Funding Ratio (2020)

£		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:	39,505,812				39,505,812
4	Retail deposits and deposits from small business customers:		308,592,126	47,586,454		320,560,722
6	*Less stable deposits*		*22,330,259*			*11,165,130*
14	**Total ASF**					371,231,664
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)				30,207,150	1,510,358
16	Deposits held at other financial institutions for operational purposes	2,469,648	50,000			420,447
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*		3,415,128	4,922,864	319,326,251	240,477,451
31	*All other assets not included in the above categories*	2,219,474				2,219,474
32	Off-balance sheet items	42,125,208				2,106,260
33	**Total RSF**					246,733,990
34	**Net Stable Funding Ratio (%)**					150.46%

Table 17: Net Stable Funding Ratio (2019)

£		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:	26,211,628				26,211,628
4	Retail deposits and deposits from small business customers:		162,437,296	46,648,062		188,176,822
6	*Less stable deposits*		*21,370,250*			*10,685,125*
14	**Total ASF**					225,073,575
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)		11,995,980	32,801,890	5,324,078	1,906,298
16	Deposits held at other financial institutions for operational purposes	2,091,280	50,000			363,692
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*		1,593,814	1,802,936	168,218,700	128,112,518
31	*All other assets not included in the above categories*	1,341,152				1,341,152
32	Off-balance sheet items	28,584,883				1,429,244
33	**Total RSF**					131,723,661
34	**Net Stable Funding Ratio (%)**					170.9%

9. Asset Encumbrance

The Bank has encumbered gilts to the value of £20.2m against withdrawals from the Bank of England's Term Funding Scheme for SMEs.

Table 18 - Asset Encumbrance

Asset Encumbrance		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of non-encumbered assets		Fair value of non-encumbered assets	
			of which: central bank's eligible		of which: central bank's eligible		of which: central bank's eligible		of which: central bank's eligible
2020		10	30	40	50	60	80	90	100
10	Assets of the reporting institution	20,230,744	20,180,744			416,195,849	10,046,082		
20	Loans on demand					81,313,805			
40	Debt securities	20,180,744	20,180,744	20,180,744	20,180,744	10,046,082	10,046,082	10,040,850	10,040,850
70	of which: issued by general governments	20,180,744	20,180,744	20,180,744	20,180,744	10,046,082	10,046,082	10,040,850	10,040,850
100	Loans and advances other than loans on demand					323,881,972			
110	of which: mortgage loans					323,881,972			
120	Other assets	50,000				953,990			

Asset Encumbrance		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of non-encumbered assets		Fair value of non-encumbered assets	
			of which: central bank's eligible		of which: central bank's eligible		of which: central bank's eligible		of which: central bank's eligible
2019		10	30	40	50	60	80	90	100
10	Assets of the reporting institution	50,000				207,472,510	27,470,357		
20	Loans on demand					31,332,546			
40	Debt securities					27,470,357	27,470,357	27,470,357	27,470,357
70	of which: issued by general governments					27,470,357	27,470,357	27,470,357	27,470,357
100	Loans and advances other than loans on demand					147,886,136			
110	of which: mortgage loans					147,886,136			
120	Other assets	50,000				783,471			

10. Evolving Risks

Covid-19 Pandemic

While Covid-19 has established itself as a day-to-day presence in our lives, the extent of its financial impact in the banking sector and the shape of the macro-economic recovery are still largely uncertain. The Board continues to monitor the impact of COVID-19 on the Bank and its business model, as well as undertaking stress tests in line with regulatory guidance. The Bank takes into consideration the economic outlook when assessing its growth plans and strategic direction The employees of the Bank have been able to all work remotely with minimal disruptions, mainly due to the Bank's cloud-based infrastructure and a plan for a gradual return to the office is currently being deployed. As a cloud-based Bank the operational change of staff working from home and the temporary closure of the Bank's two offices have been managed well and the Bank has continued to operate efficiently and effectively and has remained open to service both current and potential new customers

The Covid-19 pandemic has created significant uncertainty as to both the short- and longer-term impact on the Bank. The Bank has performed detailed analyses of the potential impact of COVID-19 in terms of credit losses and is holding conservative impairment provisions that can be used absorb such losses. Regular Management Information is provided to both senior management and the Board to enable an ongoing assessment of the impact of COVID- and to enable suitable action to be taken.

In addition, the pandemic has also increased the inherent conduct risk profile within the banking sector with particular focus on Treating Customers Fairly and Vulnerable Customer regulation as a consequence of the wide-ranging impacts of the pandemic. The Bank has closely monitored all PRA and FCA publications through its Regulatory Horizon Scanning process and adjusted its processes and procedures to fully align with any regulatory update and will continue to do so in the future.

Cyber Risk

Cyber risk remains a key focus of the Bank, with several high-profile multi-industry attacks seen in 2020, sharpening the view of this risk's significance. The Bank aims to maintain robust cyber security systems and control measures, and to achieve a low level of risk in both of these areas.

We continue to develop and embed our approach to managing cyber risk across the Bank, learning from intelligence sources and industry peers to identify new and emerging cyber risks. We use a combination of techniques to manage our cyber risk profile, enabling us to stay ahead of the continuously evolving threat of cyber-attacks to protect our customers and the Bank.

Operational Resilience

Safe and resilient operations remain vital to banks and the financial services sector. Increasing external complexities compound the risk exposure across the industry. At Redwood, we are committed to investing in the continued enhancement of resilience controls and capabilities, so that we can continue to deliver consistent and excellent service to our customers.

Operational resilience is high on the regulatory agenda and features as an area of strategic focus in the PRA's Business Plan for 2021/2022. The joint release by the PRA and FCA of SS1/21 Operational Resilience: Impact Tolerances for Important Business Services requires firms to identify their important business services and set tolerances for disruption by March 2022 and ensure that they can remain within those tolerances during severe but plausible scenarios thereafter. The Bank is also addressing the specific requirements on Operational Resilience by the required deadline of March 2022.

Redwood faces a range of operational risks which are continually managed within its risk governance framework, with action undertaken as required. Key risks are identified in a risk register and graded according to a frequency and impact methodology. The Bank looks to mitigate risks by ensuring that adequate controls and procedures are in place and are identified and monitored as part of risk and control self-assessment exercises as well as by frequent reviews by the Internal Audit function. The Bank holds adequate levels of regulatory capital to absorb any potential losses that may arise from operational risk and reassesses the level of capital holdings required to offset potential operational risk losses as part of its ICAAP.

Pace of Regulatory Change

The Bank is cognisant of the volume of regulatory change which small UK banks are required to interpret and, where relevant, implement over the next 12 to 24 months. This ranges from regulatory change focused on alterations to the UK's approach post departure from the European Union, upcoming Basel III reforms, or more specific areas such as Operational Resilience (as noted above) or Outsourcing / Third Party Risk Management.

To mitigate this risk, the Bank maintains a robust and forward-looking process of regulatory horizon scanning for identifying and interpreting upcoming regulatory change at the earliest possible stage, allowing appropriate allocation of resource and, where appropriate, identification of any skills gaps that need to be addressed. The Bank will continue to maintain this process and proportionately address relevant regulatory change as it arises.

Climate Change

During 2020, the PRA reiterated their initial expectations of firms with regards to managing the financial risks arising from climate change. It expects firms to take a strategic approach which will consider how actions taken today affect future financial risks. Firms are asked to embed climate change considerations in their risk management and day-to-day operations.

The Bank lends to UK borrowers, where the funds advanced are secured on property. Climate change risks arise through physical risk, which may impact the quality of the property as adequate security and/or transition risk as markets shift towards a low carbon economy. These risks may impact the ability of borrowers to meet their obligations under their loans. The Bank has developed and enhanced its climate change plan to assess and address the risks it faces, through governance, risk management, scenario analysis and disclosures in respect of climate change. The Bank will continue to build its climate change capabilities, recognising that further progress will be made across the financial services industry with regards to the sophistication of climate change risk modelling, and of the data available more generally, for assessing the potential financial impacts of this risk.

Reputational Risk

Every bank carried inevitably has some reputational risk and Redwood seeks to manage this through a combination of different controls. It considers these to be

1. Market sentiment causing wholesale deposit outflows
2. Tarnished reputation leads to lower capital and curtailed lending

One of the key potential impacts of reputational risk or negative market sentiment, is that depositors seek to withdraw their funds. Banks model this within their ILAAP stress testing. However, Redwood notes that its deposit base is predominantly notice accounts, allowing more robust management of outflows. A second potential impact is a poor reputation which results in reduced lending levels and/or difficulty in gaining further capital injections. These risks are modelled as part of a bank's ICAAP review process.

11. Minimum Requirement for Own Funds and Eligible Liabilities

The Bank of England considers that provision of fewer than around 40,000 to 80,000 transactional Bank accounts (accounts from which withdrawals have been made nine or more times within a three-month period) is generally likely to indicate that a Modified Insolvency would be appropriate. Under the Bank Recovery and Resolution Directive (BRRD) if an institution's failure is unlikely to cause disruption to the wider UK financial system, either directly through the cessation of services it provides or indirectly by negatively affecting confidence in the financial system or similar institutions; or if the institution does not provide significant amounts of transactional banking services or other critical functions, particularly those which depend on continuous access to a service, it would be appropriate to adopt a modified insolvency.

Under these conditions and threshold conditions Redwood would fall under a Modified Insolvency process as part of BRRD under which MREL is set at the same level as regulatory capital requirements and so the Bank will meet its MREL by meeting existing regulatory capital requirements as described in Section 6 Capital Requirements.

12. Governance

Directorships held by members of the Board

In addition to their roles within the Group, the number of external directorships and partnerships held by the Executive and Non-Executive Directors who served on the Board as at 31 December 2020 are detailed below:

Table 19: Board Directorships

Name	Position	Directorships
David Buckley	Chairman	8
Gary Wilkinson	Executive Director	4
Brian Mulholland	Executive Director	2
Graham Reynolds	Executive Director	1
Jonathan Rowland[1]	Non-Executive Director	6
Sally Veitch	Non-Executive Director	3
Clive Hetherington[2]	Non-Executive Director	2
Nigel Boothroyd	Non-Executive Director	6
Ian Wilson[3]	Non-Executive Director	3
Edward Knapp[4]	Non-Executive Director	8

The above table indicates total directorships held by each director, including Redwood Bank Limited, however excludes subsidiaries within the same group.

Changes to the Board

Subsequent to the year end, the Bank's independent non-executive directors (iNEDs) have resigned from their Board positions or chosen not to renew their existing contract upon its expiry. An agreement however has been reached between the iNEDs, Management and the shareholders that an orderly transition will take place, with three of the iNEDs (those holding SMF functions) vacating their roles upon handover of responsibilities to a suitable replacement. Three non-executive directors have been appointed effective 1st September 2021. A new Chair has been identified and it is proposed will join the Board on 1st October 2021, becoming Chair (SMF9) of the Board upon authorisation by the PRA/FCA.

Board Recruitment

The Board has delegated specific powers and authority to the Nomination and Governance Committee to lead the appointments process to fill Board vacancies. It is also responsible for keeping the size, structure and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The Nominations and Governance Committee also formulates succession plans for the Chair, Non-Executive Directors, and the senior Executives.

All Board appointments are subject to a formal, rigorous and transparent procedure. Before an appointment is made to the Board, the Nominations and Governance Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nominations and Governance Committee will:

- Use the services of external advisers to facilitate the search;
- Have regard to the balance of skills, experience and knowledge on the Board appropriate for the business and the cognitive skills, personal strengths and, where relevant, the independence of the candidate;
- Consider candidates on merit and against defined job specifications and criteria, taking care that appointees have enough time to devote to the position; and
- Have due regard to regulatory approval criteria.

[1] Resigned 15 February 2021
[2] Resigned 4 April 2021
[3] Resigned 7 July 2021
[4] Resigned 7 July 2021

13. Board Diversity

The Nominations and Governance Committee is responsible for all aspects of diversity, including age, gender, religion, race and ethnicity in the Board's composition, whilst at the same time recognising the need to strike an appropriate balance of skills, background, experience and knowledge. The committee decides on a target for the representation gender in the Board and recommends to the Board how to improve gender representation in the management body in order to meet the target.

Research shows evidence of correlations between diversity and inclusion and positive outcomes in risk management, good conduct, healthy working cultures, and innovation[1]. These outcomes directly contribute to the stability, fairness, and effectiveness of banks. The Bank seeks to leverage the benefits of diversity amongst both employees and the Board. To this end the Bank has subscribed to the Women in Finance Charter aimed at promoting a fairer and more including working environment. The Bank has committed to an internal target for gender diversity in our Senior Management team of 30%. The bank is working towards fostering the development of female professionals within the organisation.

The Bank further offers paid parental policies and flexible work options to support our employees, understanding that many of them are juggling family responsibilities. Our internal mentoring programme is encouraged to all, offering people in our business the opportunity to be mentored by leaders across a variety of business areas. All staff must attend Diversity and Inclusion and Unconscious Bias Training to help employees understand how cultural differences can impact how people work and interact at work.

[1] DP21/2: Diversity and inclusion in the financial sector - working together to drive change

Commercial in confidence

14. Remuneration

The following disclosures for Redwood Bank Limited (the "Bank") are prepared in accordance with the Capital Requirements Regulation ("CRR") remuneration disclosure requirements, as further elaborated in the FCA's General guidance on Proportionality: The Remuneration Code (SYSC 19A) & Pillar 3 disclosures on Remuneration (Article 450 of the CRR), and provides details of the remuneration of the Bank's Material Risk Takers ("MRTs") for the year ended 31 December 2020., together with an explanation of the Bank's remuneration policies, practices and governance.

Material Risk Takers are those individuals whose actions have a material impact on the risk profile of the Bank. The Bank identified a total of 18 (2019: 15) individuals as MRTs for the year ended 31st December 2020.

Decision Making

The Nominations and Governance Committee and Remuneration Committee are sub-committees of the Board and are responsible for overseeing the appointment, remuneration and other benefits of all directors and executive management. The Committee makes appropriate recommendations to the Board concerning such matters, including the implementation of any bonus schemes, the consideration of succession planning and development programmes, and the composition of the Board.

Renumeration policies and practices are designed to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long-term strategy, and which enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances.

During 2020, the Committees comprised four members, including three Non-Executive Directors and the Chairman of the Board who chaired the Nominations and Remuneration Committee. Committee terms of reference are kept under regular review; the last review date in 2020 being in August.

The Nominations and Governance Committee and Remuneration Committee are supported by the Chief Risk Officer, Chief Executive Officer, and the General Counsel and Company Secretary, who attend meetings by invitation.

No individual across the Bank is involved in decisions regarding their own remuneration.

The Committees meet at least annually, although they can meet more frequently as required. There have been four meetings of each committee during the year ended 31st December 2020. In carrying out their responsibilities, the Committees can seek independent external advice as necessary.

Remuneration Policy and Structure – link between pay and performance

The Bank's Remuneration Policy is designed to ensure that Material Risk Takers' (MRTs) remuneration rewards them for their responsibilities, performance, and experience, taking into account market data. Remuneration packages aim to aid the recruitment, retention and motivation of high calibre individuals to lead and direct the Bank and deliver continuously improving performance and long-term sustainability for our customers.

There are two main elements of remuneration for MRTs:

- Base salary or fees
- Benefits (pension, healthcare, Insurances, car allowance)

Base salary or fees

Salary levels for employees who are MRTs are reviewed annually (with adjustments generally taking effect 1 April), taking into account market data, individual experience and performance; the economic environment and the Bank's performance. The approach to reviewing salaries for MRTs is in line with the approach for other employees.

Non-executive directors only receive fees. They are not entitled to benefits or to participate in any performance award. These fees are the only element of remuneration and are set at a level that reflects the market and is sufficient to attract individuals with appropriate knowledge and experience to support the Bank in achieving its strategic objectives. Fees are reviewed annually, taking into account market data, annual pay increases awarded to employees; the economic environment and the Bank's performance.

Benefits

In order to provide a competitive and appropriate benefits package, MRTs receive benefits such as Pension, Private Medical Insurance, Income Protection, Critical Illness and Death in Service Benefit.

Material Risk Takers

The Bank has identified 18 (2019: 15) material risk takers comprising of four executive directors (2019: four), seven senior managers (members of the executive committee) and seven (2019: 11) other material risk takers who are defined as those staff whose professional activities have a material impact on the firm's risk profile.

Remuneration for Senior Management and MRTs

The table below shows fixed base remuneration awarded to MRT's in respect of the year ending 31 December 2020 (2019).

Table 20: Code staff aggregate remuneration for 2020 (2019)

	Senior Management (ExCo & ED's)		Other Material Risk Takers		Notes
	No. of recipients	£'000	No. of recipients	£'000	
Fixed remuneration during 2020	11	£1,794	7	£528	Basic salary, employer's contributions
Variable remuneration awarded for 2020 Performance Cash (Paid)	0	0	0	0	
Total Remuneration		£1,794		£528	
	Senior Management (ExCo & ED's)		**Other Code staff**		**Notes**
	No. of recipients	**£'000**	**No. of recipients**	**£'000**	
Fixed remuneration during 2019	15	£1,682	0	0	Basic salary, employer's contributions
Variable remuneration awarded for 2019 Performance Cash (Paid)	0	0	0	0	
Total Remuneration		£1,682		0	

Appendix I - Own Funds

Disclosure of the Bank's own funds for the current year.

	Composition of Regulatory Capital	2020	2019
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	38,022,516	34,822,627
2	Retained earnings	- 10,456,684	- 8,753,208
3	Accumulated other comprehensive income (and other reserves)	14,876	- 42,763
6	**Common Equity Tier 1 capital before regulatory adjustments**	**27,580,708**	**26,026,656**
	Common Equity Tier 1 capital: regulatory adjustments		
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	- 180,203	- 191,854
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	- 3,874	- 3,874
28	**Total regulatory adjustments to Common Equity Tier 1 capital**	**- 184,077**	**- 195,728**
29	**Common Equity Tier 1 capital (CET1)**	**27,396,631**	**25,830,817**
	Additional Tier 1 capital: regulatory adjustments		
43	**Total regulatory adjustments to additional Tier 1 capital**	**-**	**-**
44	**Additional Tier 1 capital (AT1)**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,396,631**	**25,830,817**
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	9,000,000	3,874
50	Provisions	2,251,174	377,000
51	**Tier 2 capital before regulatory adjustments**	**11,251,174**	**380,874**
	Tier 2 capital: regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**	**-**	**-**
58	**Tier 2 capital**	**11,251,174**	**380,874**
59	**Total regulatory capital (= Tier 1 + Tier2)**	**38,647,805**	**26,211,691**
60	**Total risk-weighted assets**	**205,441,525**	**129,397,106**
	Capital adequacy ratios and buffers		
61	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets)**	**13.34%**	**20.08%**
62	**Tier 1 capital (as a percentage of risk-weighted assets)**	**13.34%**	**20.08%**
63	**Total capital (as a percentage of risk-weighted assets)**	**18.81%**	**20.38%**
68	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**4.34%**	**7.89%**

Appendix II: Leverage Ratio

Summary reconciliation of accounting assets and leverage ratio exposures

Item		2020 CRR leverage Ratio Exposure £	2019 CRR leverage Ratio Exposure £
1	Total assets as per published accounts	436,448,406	257,912,436
4	Adjustments for derivative financial instruments		
5	Adjustment for securities financing transactions (SFTs)		
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7,407,371	5,003,830
7	Other adjustments	4,191,321	1,709,921
8	**Leverage ratio total exposure**	**448,047,098**	**264,626,187**

Leverage ratio common disclosure

On-balance sheet exposures (excluding derivatives and SFT's)

		2020 CRR leverage Ratio Exposure	2019 CRR leverage Ratio Exposure
Item			
	On-balance sheet items (excluding derivatives and , SFT's)		
1	On-balance sheet items (excluding derivatives, SFT's and fiduciary assets, but including collateral)	440,639,727	259,622,357
2	Asset amounts deducted in determining Tier 1 capital		
3	Total on-balance sheet exposures (excluding derivatives, SFT's and fiduciary assets)	440,639,727	259,622,357
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)		
5	Add-on amounts of PFE associated with all derivatives transactions (mark-to-market method)		
11	Total derivatives exposures		
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	42,125,208	28,584,883
18	(Adjustments for conversion to credit equivalent amounts)		

19	Other off-balance sheet exposures	7,407,371	5,003,830
	Capital and total exposures		
20	Tier 1 capital	27,401,939	25,825,602
21	Leverage ratio total exposure measure (sum of lines 3, 11, 19)	448,047,098	264,626,187
	Leverage ratio		
22	Leverage ratio – transitional definition of Tier 1 capital	6.12%	9.76%
23	Leverage ratio – fully phased-in definition of Tier 1 capital	6.12%	9.76%
EU-23	Choice on transitional arrangements for the definition of the capital Measure	Fully phased in	Fully phased in

Split-up of on balance sheet exposures (excluding derivatives and SFTs)

		2020 CRR leverage Ratio Exposure £	2019 CRR leverage Ratio Exposure £
EU-1	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**440,639,727**	**259,622,357**
EU-2	Trading book exposures		
EU-3	Banking book exposures of which:		
EU-5	Exposures treated as sovereigns	109,045,983	84,588,128
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU-7	Institutions	2,544,648	2,125,997
EU-8	Secured by mortgages of immovable properties	321,942,307	172,123,491
EU-9	Retail exposures		
EU-10	Corporate		
EU-11	Exposures in default	6,309,056	
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligations)	797,733	784,739

The Bank's Leverage Ratio is comfortably above Regulatory minimum of 3.25% and the Bank monitors a forward-looking view on its Leverage Ratio as part of the Capital forecast. The Bank will maintain a Leverage Ratio well in excess of the regulatory minimum for the foreseeable future.

The Bank's leverage ratio as at the 31st December 2020 was 6.12% (2019: 9.76%)