



# summary report and accounts 2010

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## Unity Trust Bank plc

### Registered Head Office and Customer Services Centre

Nine Brindleyplace  
Birmingham  
B1 2HB  
Tel: 0845 140 1000  
Fax: 0845 113 0003  
Registered in England and Wales  
No. 1713124  
FSA firm reference No 204570

### Board of Directors

#### 'A' Directors

Dave Prentis (President)  
Billy Hayes  
Sharon Powell  
Allan Wylie  
John Youd

#### Alternates

Steve Tasker  
Tony Kearns

John Hannett

#### 'B' Directors

Graham Bennett (Chairman)  
Keith Alderson  
Kevin Blake  
John Brooks  
Richard Goddard  
Ian Morrison  
Mike Osborne  
Kevin Turmore  
Stephen Watts

#### 'C' Directors

Rhidian Jones

#### Secretary

Kate Eldridge LLB (Hons), ACIS

Alternate Directors are appointed by their respective substantive Director. In the absence of the substantive Director they are entitled to attend and to vote at Board meetings.

#### Executive Management

Kevin Turmore, Managing Director  
John Brooks, Director, Sales and Marketing  
Ian Morrison, Director, Operations  
Mike Osborne, Director, Finance and Risk

#### Auditors

KPMG Audit Plc  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

## Shareholders

### Represented on the Board

Communication Workers' Union  
GMB  
National Union of Rail, Maritime and Transport Workers  
UNISON  
UNITE  
USDAW  
The Co-operative Bank p.l.c.

### Other Trade Union Shareholders

Associated Society of Locomotive Engineers and Firemen  
Broadcasting, Entertainment, Cinematograph and Theatre Union  
Community  
Educational Institute of Scotland  
Fire Brigades Union  
FDA  
General Federation of Trade Unions  
Musicians' Union  
National Association of Colliery Overmen, Deputies and Shotfirers  
National Association of Schoolmasters Union of Women Teachers  
Nautilus International  
National Union of Mineworkers  
National Union of Teachers  
Northern Ireland Public Service Alliance  
Prospect  
Public and Commercial Services Union  
Trades Union Congress  
Transport Salaried Staffs' Association  
UCU  
Unity

### Shareholders and Capital

Individual trades unions and trade union federations own 73.23% of the total equity capital of Unity Trust Bank plc (14.64% in 'A' shares and 58.59% in 'C' shares). The Co-operative Bank p.l.c., through its subsidiary Co-operative Commercial Limited, owns 26.66% (14.64% in 'B' shares and 12.02% in 'C' shares).

Certain individuals between them own 0.11% of the equity capital, all in 'C' shares. Total equity capital at 31 December 2010 was £16,429,301.

The 'A' shares owned by trades unions and the 'B' shares owned by The Co-operative Bank p.l.c. have certain class rights attached to them concerning the election of Directors and certain other matters referred to in the Articles of Association and relating to the control of the Bank.

### Summary Report and Accounts 2010

The Summary Report and Accounts 2010 is a summary of information in the full Report and Accounts 2010, Directors' Report and Business and Financial Review, all of which will be available to all shareholders and depositors free of charge on the Bank's website ([www.unity.co.uk](http://www.unity.co.uk)) from 27 May 2011.

The full Report and Accounts 2010 received an unqualified audit opinion from KPMG Audit Plc.



## president's statement

I am delighted that the Bank has continued to excel across many areas and has achieved good growth in customer numbers across our key business areas in the trade union and charitable and voluntary sectors.

This is testament to the ongoing excellent service the Bank provides to its customers in these sectors who value the socially responsible and innovative way Unity operates and who act as willing ambassadors for the Bank in the wider community.

However, it is always disappointing when the financial results of the business do not represent the good work that is going on within the organisation, and the Bank has taken steps to more closely align the business model with the realities of today's economy to make sure that future financial performance improves.

I said last year that I was proud to be the President of a bank that is genuinely different from the mainstream and one that puts social responsibility and responsible lending at the heart of its business model. I can't help but feel that if the rest of the banking community had been guided by these principles, the United Kingdom (UK) economy would probably be in a far better position than it is today. Despite the financial results, staying true to our principles is what makes us different and I am therefore pleased to repeat this statement again.

Economic recovery throughout every aspect of our lives has proved to be difficult and remains uncertain. Some of our customers have been adversely impacted and others continue to manage in difficult circumstances. The Bank will work with all of them to achieve good outcomes through the present difficult market conditions. In the meantime it has been prudent to raise some precautionary provisions to reflect the operating environment and this has affected the results of the Bank for 2010.

Our customers are proud to be associated with a bank that puts social responsibility at the core of its proposition, and this remains a very strong message in our marketplace, and a message which continues to attract new customers to the Bank.

The underlying business for the Bank remains strong. Unity has continued to be recognised within the industry for both its products and service. We continued to win awards and receive public recognition not only for the quality of our service, but also for our approach to making banking easier for the customer. I am particularly pleased that we received best marks for banking services as voted by the readers of Charity Finance magazine - for the sixth successive year. We were also winners of Charity Times magazine's Best for Banking

Services award, and our charity account was Highly Commended by Business Moneyfacts magazine. Our ALTO MasterCard® prepaid card which we launched in 2010 was also shortlisted for Best New Prepaid Card in the Card & Payments Awards.

This external recognition proves to me that our focus and desire to deliver products and services that our customers want continues to be the right one. The fact that we receive recognition when tested against the main high street banks, as well as other specialist banks, means that if we continue to focus on the right things, we will see ourselves through this difficult period.

During 2010, the Bank continued its financial and practical support for the wider trade union movement. As well as providing formal support at both the TUC and STUC annual conferences, we also supported less formal trade union activities during the year. This included the annual May Day TUC five-a-side football tournament and support for Trades Union councils up and down the country. We also continued our support for the TUC's film competition aimed at budding film-makers. The competition encourages the making of TV-style adverts to promote trade unions on the web. The winners were presented with their award by Billy Ivory, the screenwriter of 'Made in Dagenham' and one of our panel judges. The awards ceremony took place at the TUC conference in Manchester.

Turning to another type of mutual organisation, credit unions, 2010 saw the Bank launch the National Credit Union Awards for Excellence in a ceremony in the House of Lords. Open to all credit unions in the UK, these awards were devised by Unity and modelled on similar schemes in the United States and Canada.

They are the first of their type in the UK, and their aim is to champion and pay tribute to the extraordinary work of the countless unsung individuals who give their time and expertise to the credit union movement. The winners of the awards were selected by an eminent panel of judges including Lord Janner, Baroness Thornton, Juliet Davenport (Good Energy), Sir Stuart Etherington (NCVO), Stephen Robertson (Big Issue Foundation), Nigel Fawcett (HM Treasury), Steve Johnson (Advice UK) and Professor Paul Palmer (CASS Business School).

The awards were presented to the winners at a ceremony in London in February 2011.

At a time when banks and the bonuses they pay to some staff are under increasing public and government scrutiny, it is important that I use this report to highlight Unity's continue commitment to enabling social development and supporting community development.

2010 continued to see the success of the Bank's staff community-based involvement initiative - Unity in The Community - which was launched in 2009. This initiative encourages staff to provide time, energy and expertise to support local and national charities and good causes. This is an excellent example of the Bank and its staff living and embodying its values to help others. These staff activities ranged across a broad spectrum and included helping marine conservation as a volunteer in Fiji, mentoring young people in various activities to help them achieve their potential, gardening in parks and open spaces in Birmingham and bringing our business and banking experience to many organisations by sitting on their boards and acting as business mentors.

It is with great pride therefore that I can report that during 2010 staff from across the bank, as well as the Executive team, spent over 880 hours volunteering on these initiatives. In addition, various fundraising events raised over £5,000 for charitable and other good causes. This is a tremendous achievement, all the more so in these difficult financial times and I am very proud of their selfless achievements.

As I report each year, it is the Bank's staff who are our greatest asset, and the activities I have reported on above bear tribute to that. I look forward to continued efforts and achievements in 2011. That is why we will continue with our long-standing practice of giving all staff the opportunity to volunteer in their local communities by providing all

employees with five days paid volunteer leave each year. The environment is rightly moving up the business agenda as the true cost of our "disposable" society is starting to fall back on businesses and council tax payers. I am pleased to report therefore that the staff in the Bank's head office in Birmingham continue to work closely with our landlord to reduce, recycle and minimise waste. This takes the form of very practical programmes such as the collection and recycling of plastics, aluminum and toner cartridges, promotion of a car share club, as well as being an active partner in our landlord's 'Green Week'. In this same vein, I am pleased to be able to report that we were able to contribute to our landlord's successful ISO14001 Environmental Management System accreditation in the year. ISO 14001 being the international standard that specifies a process for controlling and improving an organisation's environmental performance.

Finally, I am pleased to report on how the Bank has continued its commitment to creating an environment of on-going learning and development for its staff. Throughout the year training courses are devised and delivered in a way which not only helps staff learn but does so in a creative and fun manner. It is no coincidence therefore that I can report that for the second year running that we won the coveted 'Outstanding Learning and Development' Award at the Training Journal's Annual Conference in London. We received this award for our innovative staff-wide training programme, on anti money-laundering. As well as training for staff and the Executive team, 2010 saw the launch of our formal training programme for Board members, a move that I know has been very well received by my colleagues.

In addition, staff are encouraged to identify and pursue qualifications through our Personal Development Plan process. This is completed annually, as part of developing an open and supportive learning environment. I am pleased to report that during 2010 seven staff were pursuing external qualifications.

As in the past, the Bank will continue to invest time and resource to ensure that its training and development programme remains a pertinent, relevant and enjoyable experience.

2010 has undoubtedly been a difficult year for many - for the Bank, for many of its customers and for the economy as a whole. However, as I look forward to 2011, I draw huge comfort from both the Bank's past achievements as well as its adherence to its core values of being socially focused, customer centred and commercially driven. I believe it is this combination of factors that will see us continue to remain the bank of choice in our chosen sectors in 2011 and beyond.

Finally, it is with great sadness that I have to report the untimely passing of two colleagues. Graham Bennett's predecessor as Chairman, Lord Fyfe of Fairfield, passed away in February of this year. During his nine years in office he played a pivotal role in the development of the Bank as well as making a significant contribution in his role as a member of the House of Lords.

Steven Glover, a Board member since 2004, passed away in June 2010. He joined the RMT Union in June 2001, where he carried out a number of roles, most recently Finance Manager since 2006. He was a qualified banker and this industry experience was greatly valued by the Board.

They will both be sadly missed by us all.

## Dave Prentis

President of Unity Trust Bank plc



## chairman's statement

Following an extended period of continuous profitability, the Bank's results for 2010 report a pre-tax loss of £1.2 million. Operating performance before impairment losses and other operating expense generated a profit amounting to £3.1 million, which has been impacted by an increased level of loan impairment provisions for the year. The current protracted economic recession has resulted in adverse trading conditions for our lending customers and increased the loan loss risk accordingly.

The Bank continues to achieve success in terms of customer growth and consequently the balance sheet has continued to grow, with gross assets and liabilities increasing by 3.3% to more than £620 million at 31st December 2010.

Your Board continues to be pleased by the level of support that is supplied by our shareholders, particularly given the results for this financial year. For a number of years, the Bank had been able to reward shareholders by the payment of both interim and final dividends due to the level of the financial results over the period. In view of the lowering of financial performance during 2010, the Board had not recommended the payment of an interim dividend during the year. Given the losses that have arisen for the year as a whole, the Board is recommending that no final dividend is paid.

In my statement in the 2009 Annual Report and Accounts, I noted that it was difficult to make any precise predictions for the UK economy. That statement remains as true now as it was then. With uncertainty over economic growth, the impact of the Government's programme for cuts and the prevalence of higher inflation, the outlook for the economy is not at all clear.

Whilst the uncertain economic environment continues to impact business growth, the Bank remains confident in its underlying, long term business model of achieving growth by being socially focused, customer centred and commercially driven. Our vision remains for the Bank to be the first choice for the trade union and social economy movements.

The Bank has continued to support social enterprises both directly and indirectly through its wholesale funding to Community Development Financial Institutions (CDFIs). The Enterprise Finance Guarantee has provided a number of opportunities to further support the development work of these community based funds.

CDFIs have an increasing role to play in making available finance to those in most need, be they individuals, social enterprises or small businesses. A Government report published in 2010 found that

CDFIs continue to address the consistent market failure to reflect the economic and social benefits of lending in underserved markets. The Bank intends to continue to play an active part in developing their impact through loan funding. In addition, through well established relationships with local CDFIs, we are able to support funding into most regions.

I am pleased to be able to announce that the Bank has continued its previous successes in achieving key awards, particularly in relation to the provision of first class customer service. In April 2010, we were awarded the accolade of being best rated for customer service and communication in Charity Finance magazine's annual survey. In addition, our outstanding banking service was recognised by lifting the Best for Banking Services award in the Charity Times Awards.

In terms of staff support, during September 2010, we were awarded the Best Commercial Training Initiative in the under 1,000 employees category at the Training Journal's Annual Conference and Awards Ceremony held in the Commonwealth Club in London. The award was received for our outstanding learning and development initiative.

I would like to place on record my personal thanks to all the Bank's staff and management who worked so hard throughout the year to ensure we meet our customer's high expectations, recognised in these prestigious awards. This remains a testament to our commitment to excellent customer service, reinforced in all our business plans.

Our strengths include understanding and listening to customers, culminating in our commitment to a sustained high level of customer service. In the continuing difficult economic climate, when financial hardship remains a concern for all, we can reaffirm our promise not to levy penalty charges or high levels of interest for temporary overdrafts provided customers continue to talk to us about their problems. The Bank's Treating Customers Fairly culture includes continual review and assessment of customer complaints and pleasingly the level of complaints remains low and has reduced over 2010.

Communication with customers is central to the Bank's philosophy, particularly in support of our commitment to maintain high quality customer service and satisfaction. During the year we have undertaken surveys in order to monitor how customers feel about us, both via on-line and telephone channels. A higher level of response has been received from customers in 2010 and that response exceeded our aspirations. Similarly, whilst the economic environment remains in recession and confidence in the financial sector has been found wanting, our customer communication reinforces that, by the nature of our ownership and business activities, the Bank's business remains financially secure. Our capital resources, supported by our risk management processes, remains strong and we maintain a robust liquidity position.

The Bank continues to benefit from consumer confidence in the co-operative and mutual sector of the financial services marketplace and the support given to the Bank by its Co-operative shareholder improves our proposition.

The Bank continues to support the development of credit unions in order to fight financial exclusion and this support has always been high on our agenda. In the previous year we developed a prepaid MasterCard® card initiative, branded the ALTO card, which allows credit union members the facility to access electronic payment systems, including ATMs. The card prohibits access to credit or borrowings facilities and members cannot go overdrawn. In 2010 use of the card by customers, and credit union members of customers, have extended their use of the ALTO card and our card was short-listed for Best New Prepaid Card Product of the Year in the 2011 Card and Payments Awards.

The financial pre-tax losses for 2010 indicate a significant change when compared to 2009 and earlier. Operating performance is lower due to the direct impact of low interest rates and the downward movement was a change anticipated in the Bank's financial planning

cycle. The scale of the impact of loan impairment has been such that an overall financial loss resulted notwithstanding the strong support from shareholders, customers and our dedicated staff. The Bank's support to others in making a positive impact in today's society continues and the strength of the organisation ensures that we will continue to do so into the future. I would therefore like to reiterate my thanks to them all for their contribution which helps continue to set the Bank apart from other banking institutions.

There have been a number of changes to the Board during the year. I would like to welcome Stephen Watts who brings over nine years of financial services Board experience, firstly with Co-operative Financial Services Limited and secondly with The Co-operative Bank p.l.c.. Stephen replaces Ken Lewis as a Non-Executive Director. Ken served on the Board since 2005 and in that time provided significant expertise, specifically focused on human resources. Additionally, Paul Talbot resigned from the Board this year. He served on the Board for over four years bringing a wealth of experience from his role as Assistant General Secretary, Unite.

Finally, I would like to echo the sentiments expressed by Dave Prentis about the bereavements of Lord Fyfe of Fairfield and Steven Glover. The contribution of both of these men and their involvement with the Bank will be long remembered and appreciated.

## Graham Bennett

Chairman of Unity Trust Bank plc



# summary business and financial review

The Bank reported a loss before tax of £1.2 million, compared to a profit before tax of £6.5 million achieved in 2009. At an operating level, the Bank reported a profit before swap recognition and impairment losses of £3.1 million compared to £6.4 million achieved in 2009.

Whilst a loss has arisen for the financial year, the Bank has maintained a robust ongoing capital position with core tier 1 ratio standing at 17.6% at 31 December 2010 (2009: 17.1%). The Board's risk appetite requires the Bank to maintain internal capital requirements significantly above those required by the Financial Services Authority (FSA). At 31 December 2010 the Bank held a capital buffer that was equivalent to 30.4% of the total FSA requirement (2009: 30.8%).

Management of the Bank in line with the Board's risk appetite has been at the centre of business planning and throughout the year robust liquidity and strong capital ratios have been consistently maintained. In particular, the Bank has undergone an internal liquidity assessment in line with regulatory requirements, the result of which has been to reaffirm the strength of the liquidity position derived from the Board's approach to risk management. Bank liquidity remains strong as demonstrated by the retail lending/deposit ratio which remains below 35%.

The Bank's growth strategy has proved successful in terms of extending the deposit base in our chosen sectors, increasing the retail loan portfolio.

During the year, total retail deposits have increased by 4.0% to £573.3 million (2009: £551.0 million), whilst loans and advances increased by 1.7% to £200.4 million (2009: £197.1 million). New business continues to be generated from activities and consequently the balance sheet has grown by 3.3% to £620.8 million at 31 December 2010 (2009: £601.0 million).

Balance sheet loan impairment provisions total £6.1 million (2009: £2.0 million) and represent 3.0% (2009: 1.0%) of the total lending book. The level of loan provisions raised represents a cautious approach to customer stress in a difficult economic environment. Individual provisions resulting from loan impairment totalling £4.2 million (2009: £0.9 million) have been raised to mitigate the potential risk of loss.

Net interest income fell by 25.3% in 2010. Treasury margins fell during the year after the short term LIBOR margin gains achieved in 2009 were not repeated, and subsequently income earned on the treasury portfolio reduced by 47%. The fall in treasury return was partially offset by increased and recurring interest earnings from retail lending.

Results summary £000s	2010	2009	Change	%Change
Net Interest income	9,265	12,397	(3,132)	(25.3%)
Net fee and commission income	1,434	1,520	(86)	(5.7%)
Operating expenses	(7,476)	(7,508)	32	0.4%
Financial services compensation scheme levy	(126)	(28)	(98)	350.0%
<b>Operating profit before impairment losses and other operating (expense) / income</b>	<b>3,097</b>	<b>6,381</b>	<b>(3,284)</b>	<b>(51.5%)</b>
Impairment loss on loans and advances	(4,157)	(884)	(3,273)	370.2%
<b>(Loss) / Profit before other operating (expense) / income</b>	<b>(1,060)</b>	<b>5,497</b>	<b>(6,557)</b>	<b>(119.3%)</b>
Other operating (expense) / income	(103)	1,008	(1,111)	(110.2%)
<b>(Loss) / Profit before taxation</b>	<b>(1,163)</b>	<b>6,505</b>	<b>(7,668)</b>	<b>(117.9%)</b>

Net fee and commission income totalled £1.4 million (2009: £1.5 million), primarily relating to the provision of banking services, and represents a 5.7% reduction compared against 2009 levels. The lower level of non-interest income resulted primarily from the termination of certain third party fee channels. Operating expenses amounted to £7.5 million (2009: £7.5 million).

The market value of the interest rate swaps at 31 December 2010 was £3.0 million above the contract price. In line with the Bank's accounting policies, market value movements are generally transferred direct to reserves in order to reduce Income Statement volatility. However, in the case of four hedge contracts, the contractual arrangements were ineffective as at 31 December 2010 and the decrease in individual market values totalling £0.1 million is reflected in the Bank's Income Statement. Short term fluctuation gains or losses do not form part of the Bank's consideration of its overall capital strength.

As reported in last year's full Report and Accounts, a number of banking failures in earlier years have led to customers of those banks making claims for deposit losses suffered and the banking industry has been obliged to provide supportive funding to the Financial Services Compensation Scheme (FSCS). During the year, the Bank made payments into the Scheme of £114,000 and has provided a further £126,000 in the 2010 Income Statement.

The Board is recommending that no dividends are proposed for the financial year to 31 December 2010 (2009: 7.5 pence per share).

### Economic environment

The outlook for the economic environment, for growth, inflation and monetary stimulus remains highly uncertain. The Monetary Policy Committee (MPC) has held interest rates at an historical low of 0.5% through 2010 in an attempt to help stimulate the economy, but recent market expectations are anticipating a rise in the first half of 2011 to counteract the high inflation rate. However, those expectations also point to a relatively low interest rate environment through to the end of 2013 with rates gradually rising to around 3%.

Fiscal rebalancing will have a significant impact on the economy over the next four years and the MPC will have to judge very carefully how quickly it withdraws monetary stimulus.

## Performance

### Interest rates

In an environment of low bank base rates, together with the need to provide competitive rates of interest on its customer deposit base, interest margins on retail deposits remain low and continue to be compressed. Looking forward, interest rates are expected to remain

low for some time ahead and pressure on deposit interest margins will continue. Lending interest rates are required to be competitive and are supported by the application of a minimum lending rate.

The Bank's interest earnings derived from its investment in the money markets, principally certificates of deposit, is dependent upon the inter-bank interest rates and the liquidity needs of bank counterparties generally. Interest margins earned during 2010 have been in line with expectations overall, but substantially lower than the previous year as the general financial environment has become less volatile. Financial institutions must comply with the Bank's credit policy to be acceptable as credit counterparties for the Bank and this does impact on the interest margins which can be achieved.

During the year, the Bank entered into reverse repo transactions to meet the requirements of the FSA's new regulatory framework. The transactions consist of a secured loan to The Co-operative Bank p.l.c. which provides the Bank with instant access to £70 million of UK gilts.

Overall, the interest margin earned during 2010 reduced to 1.6% (2009: 2.2%) primarily due to the lowering of money market interest margins as the inter-bank markets settled after the turmoil of the previous year.

### Products and services

The Bank continues to operate in a niche market and provides banking and financial services for the trades unions and the wider social economy sector, with a focus on charities and voluntary organisations. A proportion of asset based products are focused on the commercial lending sector, but within a managed spread alongside the Bank's core sectors.

Retail deposit business is based on the provision of current and deposit accounts for the Bank's target sectors. The Bank operates a successful model without a branch network, with electronic access for customers supported by a customer telephone contact centre based in Birmingham.

Having established an increased retail loan portfolio of £197.1 million by 31 December 2009, the focus for 2010 has been for a more gradual increase and a greater emphasis on the Bank's core sectors. The overall net growth in retail lending has resulted in a modest net increase for 2010 to £200.4 million.

In 2009, the Bank decided not to impose penalty fees as these were inconsistent with its social values. It was pleasing to note the reaction from the markets, and there has been no material reduction in fee income as a consequence.

Following the completion of necessary development towards the end of 2009, the Bank was able to launch a prepaid debit card product ("ALTO card") which is aimed at the social economy market with a

focus on the credit union sector where many members continue to be excluded from mainstream banking services, together with any organisations requiring expense facilitation. The marketing of the card has proved successful and by the end of 2010 there were more than 7,000 cards in circulation, of which almost 3,800 were active up to 31 December 2010.

New development work during 2010 also included a premium-priced cheque account entitled "Select Account", which is specifically aimed at the charity and voluntary market, providing a range of added value services for customers which have been provided in conjunction with a third party to be of relevance to its target sector.

### Sector development

The Bank's retail deposit book, together with ongoing development, is focused on the social economy sector. Principal areas of activity within this sector continue to be with charitable and voluntary organisations, credit unions and professional associations.

In support of the Bank's core social responsibility ethos, retail lending is based on target markets within the social economy sector, including Community Development Financial Institutions (CDFIs), together with focused segments of the commercial enterprise sector. Growth during 2010 has been achieved steadily through more focus on the social economy sector, supported by some commercial enterprise growth. The Bank's loan portfolio at the end of 2010 remains broadly split between all three core sectors: trade unions, social economy and commercial enterprises.

### Information technology

The Bank's corporate website, [www.unity.co.uk](http://www.unity.co.uk), together with an internet banking channel enables customers to access their account details, undertake transactional activity and obtain information about products and services.

The Bank continues to enhance the customer experience of internet based access, building on the successful launch of the updated website during 2010. Security remains at the core of the Bank's approach to its internet banking offering as does the ability for customers to access their accounts with the Bank via a range of web browsers.

The Bank's customer account management system, which provides the backbone of account maintenance, continues to be developed with the addition of new workflow functionality and modules that allow for improved performance and efficiency gains. Supporting customer needs is at the centre of the Bank's system development plans.

### Governance and Risk Management

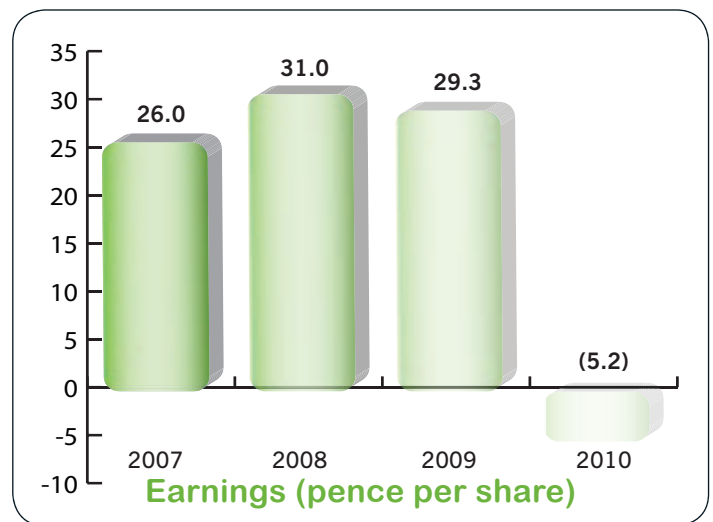
The Board is responsible for approving the Bank's strategy, its principal markets and the level of acceptable risks articulated through its risk appetite statements. It is also responsible for overall corporate governance, which includes ensuring that there are adequate systems of risk management and that the level of capital held is consistent with the risk profile of the business.

A strong risk management regime is in place that sets higher internal capital requirements than those required by the FSA and is supported by risk management practices focussing on credit, liquidity and capital stress and scenario testing.

The overall risk governance and risk management framework is set out in the Corporate Governance section on pages 18 to 23 and the Risk Management Section on pages 32 to 43 in the full Report and Accounts 2010.

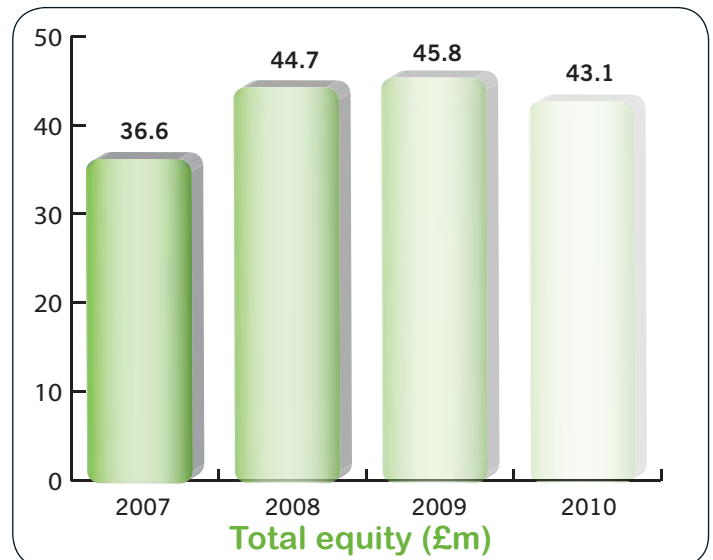
### Earnings and dividends

As a consequence of the pre-tax loss suffered, earnings per share are negative 5.2 pence in respect of 2010, a decrease, compared with positive earnings per share of 29.3 pence per share for the previous year. At the start of 2010, consolidated equity shareholders' funds totalled £45.8 million and, after the post tax loss arising for the year, reduced to £43.1 million. This represents a net reduction in equity shareholders' funds of 5.9%. The capital position remains very strong,



however with core tier 1 ratio standing at 17.6% at 31 December 2010 (2009: 17.1%).

The Board is recommending that no dividends are proposed for the financial year to 31 December 2010 (2009: 7.5 pence per share).



### Key Performance Indicators (non-financial measures)

In connection with the Strategic Review for the 2009-11 planning period, the Bank agreed to formally monitor a range of non-financial aspects of its activities. An update in respect of those non-financial measures for 2010 is as follows:

#### Customer satisfaction

The Bank remains customer-centric and within the business model is a high quality customer service and satisfaction approach. We continue to monitor customer satisfaction in a variety of ways including online surveys, feedback postcards and direct telephone customer contact. During the year, 311 responses were received (2009: 173) and scored average marks of 8.7 out of 10 for satisfaction regarding how customers are treated by our customer services staff and 8.7 out of 10 for satisfaction that queries are dealt with quickly and in a professional manner. We have set an aspirational benchmark score of 8 for both these areas and in 2010 more than 83% (2009: 75%) of respondents believed that the Bank's service exceeded that target.

Our survey of all new customers after three months was introduced at the end of 2009 and across 2010 the average marks for customer satisfaction were 9.6 out of a possible score of 10.

As part of our ongoing Treating Customers Fairly culture, we review all customer complaints and any trends are identified. Significant trends are reported to the Bank's Board together with details of corrective actions taken. During 2010 we received 37 compliments (2009: 70) and 29 complaints (2009: 37). All of the complaints were satisfactorily resolved, with only one single referral to the Financial Services Ombudsman and there were no clear trends identified.

### Staff

The Bank continues to participate in the annual Best Companies survey and maintained the status 'one to watch' for two years running. The Bank's aim is to become a 'one star' organisation within three years and will continue to work towards that goal throughout the forthcoming period.

### Training

The Bank believes that the development and training of its staff is fundamental to ongoing success. By providing development opportunities, facilities and financial support, we aim to ensure that all staff have the knowledge, skills and experience necessary to perform to the highest standards.

Each employee received induction and job related training, together with support available to help individuals develop and improve their job performance and keep pace with industry developments. In total, staff attended in excess of 1,600 hours of formal training sessions during 2010, an increase of almost 15% on the previous year, together with 160 hours of other development activities.

### Impact on the Community

The Bank operates its business within the wider 'civil society' charities, social enterprises, not for profit organisations, trades unions and SME owner managed businesses - and prides itself on being socially responsible in all of its activities. During the previous year, 'Unity in the Community' was launched with a focus on encouraging staff to become more involved in their local communities by investing time in charitable and voluntary projects. The initiative has proved successful and the Bank continues to support this by facilitating up to five paid volunteering days each year. The total number of hours volunteered by Bank staff in 2010 was in excess of 900, with an average of 10 hours per member of staff.

The initiative was also designed to be a key element in the personal development of our staff whilst offering the opportunity to help communities and support local good causes.

## Financial highlights

### Loss / profit before taxation

The Bank reported a loss before taxation for the year of £1.2 million, compared with a reported profit in respect of 2009 amounting to £6.5 million.



### Net interest income and margins

The Bank's management and internal reporting structure is not formally segmented. Total net interest income of £9.3 million was 25.3% lower than in 2009. The decrease was primarily due to lower LIBOR based interest earnings on treasury assets compared to the previous year. The impact was partially offset by a higher interest earnings level from the retail loan book, both in terms of volume and margin.

The net interest margin for the year was 1.6% (2009: 2.2%), and was lower than the previous year primarily due to the reduced margin on the treasury portfolio.

The Bank holds non-trading interest rate swap contracts with its parent company, The Co-operative Bank p.l.c., in accordance with its interest rate risk policy. As at 31 December 2010, the notional value of the interest rate swaps amounted to £90 million (2009: £85 million).

Due to short term market fluctuations, the market value of the interest rate swaps at 31 December 2010 was £3.0 million above the contract price. The premium in market value is not generally reflected in the Bank's Income Statement but transferred direct to reserves. Where it is not possible to match certain hedges in accordance with the terms of the relevant accounting standard, their net effect is reflected in that statement.

### Non-interest earnings

Total fees and commission income amounted to £2.3 million (2009: £2.4 million).

Overall, net banking fees and commission income amounted to £1.4 million, in line with the equivalent fees earned during the previous year. Income derived from the Bank's financial services activity is non-core business and there was a reduction in earnings during the year to £0.2 million (2009: £0.3 million).

### Operating expenses

Operating expenses for the year totalled £7.5 million in line with 2009 levels. The cost income ratio for 2010 was 69.9% compared with 53.9% in respect of the previous year. The ratio is measured before swap fair value adjustments and before provisions for the FSCS.

The increase in the ratio results primarily from the lower level of interest income, despite a small reduction in costs for the year.

Included within operating expenses is full provision for a significant customer cheque fraud of £0.4 million and one-off restructuring costs of £0.2million.

### Staff

Staff costs in 2010 amounted to £4.2 million, 3.4% lower than 2009. The decrease was driven by Board's decision not to award any bonuses for the year. Average staff numbers for the year held constant at 95.

Included within operating expenses were restructuring costs of £0.2 million which represent the first stage of a process that will be concluded within 2011.

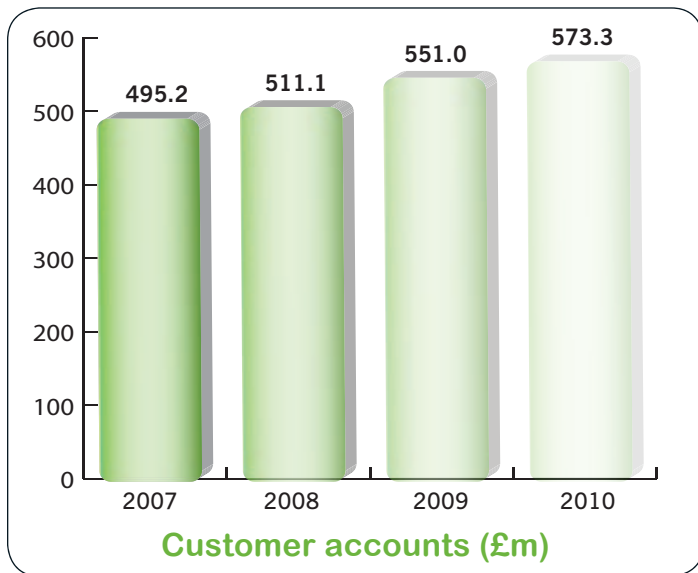
### Other costs

Total expenditure in respect of all other costs was £3.2 million (2009: £3.1 million) and represented an increase of 3.2% for the year.

## Balance Sheet

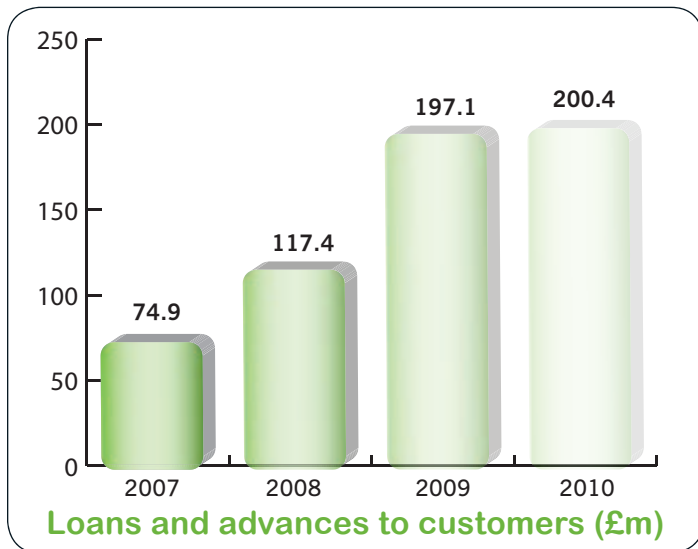
### Deposits

Retail deposit balances as at 31 December 2010 were £573.3 million, representing a net increase of £22.3 million across the year. Growth in new retail customer deposits for the year amounted to more than £41.1 million (2009: £51.7 million) and was predominantly derived from the charity and voluntary sector.



### Advances

The total of retail loans and advances at the end of the year amounted to £200.4 million (2009: £197.1 million). Loans and advances generated from new to Bank activity totalled £27 million (2009: £84 million).



The majority of loan growth was derived from activity within the commercial enterprise and social economy sectors.

### Non-performing assets and bad debt provisions

During 2010, loan portfolio growth was slower than the previous two years as the Bank approached its growth targets. Due to continued pressures in the wider economy, monitoring the loan portfolio for signs of customer stress and identifying potential loan impairment has remained a priority for the Bank's credit team.

At 31 December 2010, the Bank continues to take a cautious approach and, as a consequence, has raised further individual provisions in respect of customer loans and advances amounting to £4.2 million (2009: £0.9 million). The significant increase resulted from anticipated potential loan impairment, primarily within the commercial enterprise sector, where the continued downturn in the economy has impacted trading performance of many businesses and reduced the realisable value of underlying secured assets.

## Summary and Outlook

The difficult conditions evidenced in the economy generally, and the financial services sector specifically, have continued throughout 2010 and are not anticipated to reverse in the short term. Base rate forecasts indicate a continuation of the current low levels for some time ahead and the Bank's business plans are anticipating that intense competition for retail deposits will continue.

A comprehensive review of the Bank's operating model and cost base commenced in 2010 and will be finalised in 2011. From this there is the expectation of a significant cost reduction whilst capturing improvements to the service enjoyed by our customers, maintaining strong controls to meet increasing regulation, improving the control regime and ensuring that a strong risk management framework remains a priority.

## Kevin Turmore

Managing Director of Unity Trust Bank plc

## Summary Report of the Directors for the year ended 31 December 2010

The Directors submit their report and audited accounts for the year ended 31 December 2010.

### Principal Activities

Unity Trust Bank plc offers a range of banking, financial, and related services in the United Kingdom.

### Business Review

A review of the business activities and details of future developments are contained in the Summary Business and Financial Review on pages 8 to 12 and is deemed to form part of the Directors' Report. The Bank manages its performance through Key Performance Indicators (KPIs). Information on the Bank's KPIs are incorporated in the Summary Business and Financial Review, including an update on the Bank's non-financial measures.

The full Report and Accounts 2010 contains the Corporate Governance statement on pages 18 to 23 and the Risk Management section on pages 32 to 43, and these are deemed to form part of the Directors' Report. The Corporate Governance Statement provides information relating to the Board and its Committees, and the Bank's system of internal controls. The Risk Management section provides information relating to the principal risks and uncertainties facing the Bank and the use of financial instruments.

Further review of the Bank's business activities are contained in the statements by the President and the Chairman on pages 4 and 6.

### Results and Dividends

The results for the year, before taxation, amounted to a loss of £1.2 million (2009: profit of £6.5 million). No interim dividends were paid during 2010. The Directors do not recommend payment of a final dividend (2009: £1.1 million). A more detailed review of the business is contained in the Summary Business and Financial Review on pages 8 to 12.

### Directors - changes to the Board

The names of the present Directors and their biographies are set out below.

The Directors of the Bank during the financial year are listed below. They were appointed for the full period unless otherwise indicated.

Steven Glover served as a Director of the Bank until he passed away on 11 June 2010. Ken Lewis resigned from the Board on 30 July 2010 and Paul Talbot resigned from the Board on 31 December 2010.

Stephen Watts was appointed on 31 July 2010.

### Non-Executive Directors

**Graham Bennett. Age 60. (CCMI).** Joined the Board in 2000 and was appointed Chairman in June 2009. Previously served as Chairman of The Co-operative Bank p.l.c. (2000 - 2009), and as a Non-Executive Director of Co-operative Group Limited (1984 - 2009), Co-operative Financial Services Limited (2002 - 2009), Co-operative Insurance Society Limited (2000 - 2009) and CIS General Insurance Limited (2005 - 2009). Chief Executive of Southern Co-operatives Limited (1983 - 2008).

**Keith Alderson. Age 51.** Joined the Board in December 2009. Managing Director, Corporate and Business Banking, Co-operative Financial Services Limited and Director of Mortgage Agency Services Number One Limited, Illius Properties Limited and The Co-operative Asset Management Limited.

**Kevin Blake. Age 52. (BA (Hons), ACIB).** Joined the Board in 2002. Business Leader – Banking Risk at Co-operative Financial Services Limited and Director of Mortgage Agency Services Number One Limited.

**Richard Goddard. Age 53. (MA (Hons), FCA).** Joined the Board in 2004. Business Leader - Financial Control at Co-operative Financial Services Limited and Director of Western Mortgage Services Limited.

**Billy Hayes. Age 57.** Joined the Board in 2001. General Secretary of the Communication Workers' Union.

**Rhidian Jones. Age 67. (MA (Hons Law), FCIS, FCMI, Solicitor).** Joined the Board in 2004 as an Independent Non-Executive Director. Previously Deputy Chairman of Britannia Building Society where he was also Chairman of the Remuneration Committee, and Senior Independent Director of Serco Group plc and a director of Ealing Hospital NHS Trust at each of which he chaired the Audit Committee. He also provides governance training to clients.

**Sharon Powell. Age 53. (BSc (Hons)).** Joined the Board in 2003. Executive Finance Director of Unite.

**Dave Prentis. Age 62. (BA, MA).** Joined the Board in 2000 and was appointed President in 2003. General Secretary of Union. Past President of the TUC, Member of the TUC General Council and Executive Committee, and the Trade Union Labour Party Liaison Committee. A member of the Institute of Public Policy Research's Policy Advisory Council, Fellow of Nuffield College Oxford and an advisor to the Warwick Institute of Governance and Public Management. He is also a member of UK Commission for Employment and Skills.

**Stephen Watts. Age 59. (MA (Cantab), MA (Econ)).** Joined the Board in July 2010. Retired Pricing, Research and Information Officer. Deputy Chair of Co-operative Group Limited, Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited and The Co-operative Bank p.l.c..

**Allan Wylie. Age 55. (MA, CA).** Joined the Board in 2004. Officer of the GMB Union.

**John Youd. Age 57.** Joined the Board in 2004. Central Treasurer of USDAW.

### Executive Directors

**Kevin Turmore. Age 49. (ACIB).** Joined the Board in 2005 and holds the position of Managing Director. Also Executive Director of Kibble Developments Limited.

**John Brooks. Age 52. (FCIB, DipFS, MCIM, MIoD).** Joined the Board in 2006 and holds the position of Director, Sales & Marketing.

**Ian Morrison. Age 50. (ACIB).** Joined the Board in 2006 and holds the position of Director, Operations.

**Mike Osborne. Age 54. (ACA).** Joined the Board in 1992 and holds the position of Director, Finance and Risk.

### Re-election of Directors

In accordance with the Articles of Association, 'A' Directors Billy Hayes and Sharon Powell, 'B' Directors Ian Morrison and John Brooks, and Rhidian Jones, the 'C' Director retire by rotation and being eligible, offer themselves for re-election. Biographical information about these Directors can be found above. None of the Directors offering themselves for re-election has a service contract with the Bank which has a duration of more than one year. The re-election of these Directors will be proposed at the Annual General Meeting (AGM) to be held on 27 May 2011.

### Directors' and officers' liability insurance and indemnity

The Bank maintains appropriate directors' and officers' liability insurance cover, through the ultimate parent organisation, in respect of legal action against its directors and officers. This constitutes a 'qualifying third party indemnity provision' for the purposes of Companies Act 2006 and applied to each of the Bank's Directors serving during the financial year. The insurance cover was reviewed and renewed in 2010.

## Going concern

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

In common with many financial institutions, the Bank meets its day-to-day liquidity requirements through managing both its retail and wholesale funding sources, and is required to maintain a sufficient buffer over regulatory capital requirements in order to continue to be authorised to carry on its business. The Bank's forecasts and objectives, taking into account a number of potential changes in trading performance and funding retention, show that the Bank should be able to operate at adequate levels of both liquidity and capital, for the foreseeable future. The Bank has also considered a number of stress tests on capital and liquidity and these provide assurance that the Bank is sufficiently capitalised and is comfortably in excess of liquidity stress tests.

Consequently, after making enquiries, the Directors are satisfied that the Bank has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

## Corporate Governance

The Bank is committed to high standards of corporate governance. For the year ended 31 December 2010, Unity Trust Bank complied, on a voluntary basis, with the principles and provisions of the Combined Code on Corporate Governance ("the Code") as appropriate to the structure of Unity Trust Bank and its shareholder organisations, with the exception of the areas noted within the Corporate Governance report on pages 18 to 23 of the full Report and Accounts 2010.

## Employees

Unity Trust Bank is committed to ensuring that it is a safe, diverse, and fair environment to work in. As at 31 December 2010, the Bank employed 93 members of staff (2009: 96). The Bank recognises and accepts its duty to protect the health and safety of all staff, temporary employees, and contractors, as well as customers, suppliers, or members of the public that might be affected by operations.

The Bank recognises that the development and training of its staff is fundamental to its continuing success. By providing development opportunities, facilities, and financial support, the aim is to ensure that all staff are in possession of the knowledge, skills and experience necessary to perform to the highest standards.

Each employee received an induction and job related training, and resources are made available to enable individuals to develop and improve their current job performance and keep pace with internal and external developments.

The Bank consults and communicates with staff on customer, organisation and performance issues through regular team meetings, surveys, conferences, and forums with Unite the Union, which represents the staff in employee and organisational discussions.

## Information and communication

Employees receive and provide information on strategy and objectives through their reporting lines and a formal performance measurement process. Internal briefing documents, team meetings and electronic media communicate other information.

## Diversity

The Bank welcomes diversity and actively promotes equality of opportunity in employment for all employees and job applicants, regardless of sex, gender reassignment, marital status, sexual orientation, colour, race, and nationality, national or ethnic origin, religion or creed, disability, responsibility for dependants, age and membership, or non-membership of a trade union or political affiliation.

## Employees with Disabilities

Unity Trust Bank is committed to being an equal opportunities employer. The Bank recognises its responsibilities for making reasonable adjustments for new staff with disabilities whilst in employment.

The Bank is a holder of the "Positive about Disabled People" status, a recognition given by Jobcentre Plus to employers who have agreed to meet five commitments regarding the recruitment, employment, retention and career development of disabled people. The Bank was also reaccredited as an Investor In People in 2009. The Bank has an Equal Opportunities Policy, which includes provisions to consider employment applications from people with disabilities and to match vacancies with an individual's particular aptitudes and abilities.

Further guidance and information for staff on disability issues is available through Human Resources and on the staff intranet. The Bank recognises its responsibility for making "reasonable adjustments" for new staff with disabilities and for those individuals who develop disabilities whilst in employment.

## Employees' Wellbeing

The Bank recognises that health and wellbeing at work play a vital part in delivering its core values. Wellbeing services include occupational health support, annual eye tests and membership of a Corporate Health Cash Plan. Through membership of the Corporate Health Cash Plan employees have access to free expert advice on a wide range of medical, legal and family issues.

## Supplier payment policy and practice

The Bank's policy is to agree the terms of payment at the start of trading with the supplier, ensure that suppliers are aware of the terms of payment and pay in accordance with its contractual and other obligations. Creditor days at 31 December were 24 days (2009: 20).

## Political and Charitable Donations

In 2010, as part of our delivering on one of our core values of supporting social development and community involvement, we made charitable donations totalling £2,012 to good causes (2009: £10,013).

No political donations were made in 2010 (2009: £nil).

## Post Balance Sheet Events

The Directors consider that there have been no significant events since the balance sheet date that have had an effect on the Bank's position.

## Financial Statements

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the

company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

The Directors' statement with respect to going concern is included on page 14.

#### Auditor

In accordance with Section 489 of the Companies Act 2006, resolutions for the appointment and remuneration of the auditors are proposed at the next AGM. Further detail in relation to the appointment of the auditors is set out in the Corporate Governance statement on page 23 of the full Report and Accounts 2010.

By order of the Board.

Kate Eldridge LLB (Hons) ACIS  
Secretary  
Registered Office:  
Nine Brindleyplace  
Birmingham  
B1 2HB

25 March 2011

## Summary Directors' Remuneration Report

The following information is provided on a voluntary basis.

### Key Elements of Executive Directors' Remuneration:

#### 1. Base Salary and Benefits

Remuneration policy is designed to ensure that base salary and benefits paid to each Executive Director are appropriate and competitive with similar posts in comparable organisations in the financial services sector. Each role is externally evaluated and matched against external market data to guide salary and benefits decisions made by the Nomination and Remuneration Committee.

The normal salary review date for Executive Directors is 1 April. Base salary is the only element of remuneration that is pensionable. Salaries received by Executive Directors during the financial year are set out in Table 1.

#### 2. Incentive Scheme

Executive Directors are eligible to participate in an annual incentive scheme. Targets and eligibility are reviewed and approved each year by the Nomination and Remuneration Committee.

Targets under the plan were approved by the Nomination and Remuneration Committee. 75% of any award is based on achievement against budgeted pre-tax profit and the remaining 25% based on individual achievement against personal targets. No payments are due if the level of pre-tax profit for the financial year falls below the budgeted target. The Scheme requires a minimum return on shareholders' funds of 15% in the financial year in question and pre-tax profit to be greater than the previous financial year, unless amended at the discretion of the Nomination and Remuneration Committee.

The target bonus level for the 2010 Scheme was 20% of base salary with the ability for bonus awards to range from 15% to a maximum of 25% of base salary.

#### 3. Pension Scheme

All Executive Directors are members of The Co-operative Group Pension (Average Career Earnings) Scheme (the PACE Scheme), which is a defined benefit pension scheme available to all employees. The PACE Scheme, is a registered occupational pension scheme and provides pensions based on 1/60ths of average pensionable earnings, re-valued for inflation for each year of pensionable service from 6 April 2006. Accrued benefits as at 5 April 2006 continue to be linked to final pensionable salary at a member's date of leaving or retirement, which ever is earlier.

Pensions are also payable to dependants on death and a lump sum is payable if death occurs in service.

Members of the PACE Scheme currently contribute 6% of their pensionable salary towards the cost of providing pension benefits with the employer paying the balance.

The PACE Scheme maintains a competitive level of pension provision whilst controlling the future costs and risks of occupational pension provision.

#### Executive Directors' service contracts

All existing Executive Directors are employed under service contracts, which have periods of notice of termination of 12 months or less. In the event of termination, any payments due to an Executive Director would be based on the terms of the service contract.

#### Appointments outside the Bank

Executive Directors can accept appointments from sources outside the Bank, with the consent of the Board, which will be forthcoming if it considers the appointment beneficial to the interests of the Bank. Payments received from such appointments are passed on to the Bank.

## Directors' Emoluments

Table 1 - Executive Directors' Emoluments

	Date of service contract or appointment	Basic salary	Performance related pay	Benefits in kind	Other payments	2010 Total emoluments	2009 Total emoluments
K Turmore	22 July 2005	147,000	-	-	11,500	158,500	187,200
M Osborne	18 September 1992	100,267	-	114	9,800	110,181	127,531
I Morrison	11 January 2006	72,477	-	-	9,800	82,277	94,907
J Brooks	07 December 2006	97,163	-	114	9,800	107,077	125,438
		416,907	-	228	40,900	458,035	535,076

At both 31 December 2010 and 31 December 2009 the above Directors had retirement benefits accruing under the defined benefit pension scheme operated by The Co-operative Group Limited. Other payments relate to amounts paid in lieu of the car cash option

scheme, together with a contribution to Directors' individual pension scheme payments in accordance with an agreement made by The Co-operative Group Limited in support of the changes to the terms of the Group pension scheme.

## Pension Entitlements for Unity Trust Bank Executives during 2010

Table 2 - Pension Details of Executive Directors

	Age at year end	Years of company service	Total accrued pension at year end	Increase in accrued pension during the year (gross of inflation)	Increase in accrued pension during the year (net of inflation)	Transfer value of previous column at year end less director's contributions	Transfer value of accrued pension at start of the year	Transfer value of accrued pension at year end	Transfer value at year end less transfer value at the start of the year less contributions
	(1)	(2)	(£) (3)	(£) (4)	(£) (5)	(£) (6)	(£) (7)	(£) (8)	(£) (9)
M Osborne	54	21	39,032	2,477	756	(2,756)	571,196	646,741	69,529
I Morrison	50	21	30,785	2,024	669	(177)	405,140	460,455	50,966
K Turmore	49	5	12,811	2,662	2,184	12,119	102,671	133,504	22,013
J Brooks	52	4	6,164	1,698	1,488	10,091	46,076	65,955	14,049

### Notes

The pension entitlement shown in column (3) is the annual pension payable on retirement based on the service and pensionable salary at the end of the year.

The increase in accrued pension during the year, shown in column (5), is after discounting the effect of inflation.

The values in columns (6),(7) and (8) have been calculated in accordance with the current transfer value method and basis in force for the PACE scheme.

This is set by the Trustee, after taking actuarial advice, to be consistent with the requirements of legislation and the rules of the scheme.

Column (9) shows the transfer value at the end of the year less the transfer value at the start of the year, less contributions paid in the year by the executive.

The age, service, and accrued pension and transfer values shown in columns (1), (2), (3), (6) and (8) have been calculated as at 31 December 2010.

All transfer values assume that pre-April 2006 benefits will become payable from the age of 60, whilst post April 2006 benefits are assumed to become payable from age 65.

### Non-Executive Directors' Remuneration

The Non-Executive Directors receive no remuneration from the Bank, and have no pension arrangements, incentive schemes or share option schemes for their services to the Bank with the exception of the Chairman and the Independent Professional Non-Executive Director (IPNED) who receive remuneration only. During the year, two Co-operative Bank appointees were remunerated by that organisation.

The Board of Unity Trust Bank plc includes the Chairman, an IPNED and Co-operative Bank appointees, who are:

- Graham Bennett who was appointed as Chairman on 8 June 2009 and received remuneration of £38,542 during the year (2009: £21,260).
- Rhidian Jones, who was appointed to the Board on 26 March 2004 and received total remuneration of £25,673 during the year (2009: £25,047).
- Ken Lewis, who was appointed to the Board on 22 February 2005 and retired on 30 July 2010, and received remuneration of £12,837 during the year from The Co-operative Bank p.l.c. (2009: £25,047).
- Stephen Watts, who was appointed to the Board on 31 July 2010, and received remuneration of £769 during the year from The Co-operative Bank p.l.c (2009: £nil).

On behalf of the Board  
G Bennett  
Chairman of Nomination and Remuneration Committee

## Summary Income Statement

For the year ended 31 December 2010

All amounts are stated in £000s unless otherwise indicated

Table 3 - Summary Income Statement	2010	2009
Interest receivable and similar income	10,753	14,768
Interest expense and similar charges	(1,488)	(2,371)
<b>Net Interest Income</b>	<b>9,265</b>	<b>12,397</b>
Fee and commission income	2,313	2,436
Fee and commission expense	(879)	(916)
<b>Net fee and commission income</b>	<b>1,434</b>	<b>1,520</b>
Other operating (expense) / income	(103)	1,008
<b>Operating income</b>	<b>10,596</b>	<b>14,925</b>
Operating expenses	(7,476)	(7,508)
Financial services compensation scheme levies	(126)	(28)
<b>Operating profit before impairment losses</b>	<b>2,994</b>	<b>7,389</b>
Impairment losses on loans and advances	(4,157)	(884)
<b>(Loss) / profit before taxation</b>	<b>(1,163)</b>	<b>6,505</b>
Income tax	308	(1,697)
<b>(Loss) / profit for the year attributable to shareholders</b>	<b>(855)</b>	<b>4,808</b>
Earnings per share (basic and fully diluted)	(5.2)p	29.3p

## Summary Balance Sheet

As at 31 December 2010

All amounts are stated in £000s unless otherwise indicated

Table 4 - Summary Balance Sheet	2010	2009
<b>Assets</b>		
Loan and advances to banks	78,278	592
Loans and advances to customers	200,358	197,074
Investment securities - available for sale	335,688	396,763
Derivative financial instruments	3,494	4,741
Intangible fixed assets	669	758
Property, plant and equipment	446	493
Deferred tax assets	88	81
Other assets	83	72
Prepayments and accrued income	417	416
Current tax assets	1,259	50
<b>Total assets</b>	<b>620,780</b>	<b>601,040</b>
<b>Liabilities</b>		
Customer accounts	573,263	550,975
Derivative financial instruments	464	47
Other liabilities	2,285	2,210
Accruals and deferred income	758	1,231
Provision for liabilities and charges	910	764
<b>Total liabilities</b>	<b>577,680</b>	<b>555,227</b>
<b>Capital and reserves attributable to the Bank's equity holders</b>		
Ordinary share capital	16,429	16,429
Share premium account	250	250
Retained earnings	25,365	27,288
Other reserves - available for sale	50	112
- cashflow hedging reserve	1,006	1,734
<b>Total equity</b>	<b>43,100</b>	<b>45,813</b>
<b>Total liabilities and equity</b>	<b>620,780</b>	<b>601,040</b>

Registered in England and Wales No. 1713124

Approved by the Board  
on 25 March 2011 and signed on its behalf by:

Dave Prentis (President)

Graham Bennett (Chairman)

Kevin Turmore (Managing Director)

## Independent auditor's statement to the members of Unity Trust Bank plc

We have examined the Summary Report and Accounts for the year ended 31 December 2010 which comprises the Summary Income Statement, Summary Balance Sheet, Summary Report of the Directors and Summary Directors' Remuneration Report set out on pages 13 to 18.

This statement is made solely to the company's members, as a body, in accordance with section 427 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this statement, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Report and Accounts 2010 in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Report and Accounts 2010 with the full Report and Accounts 2010, the Report of the Directors and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Summary Report and Accounts 2010 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

### Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements, the Report of the Directors' and the Directors' Remuneration Report.

### Opinion

In our opinion the Summary Report and Accounts 2010 is consistent with the full Report and Accounts 2010, the Report of the Directors and the Directors' Remuneration Report of Unity Trust Bank plc for the year ended 31 December 2010 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

### Kieren Cooper

for and on behalf of KPMG Audit Plc, Statutory Auditor

*Chartered Accountants*

One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

25 March 2011



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Registered in England and Wales no. 1713124  
Registered office: Nine Brindleyplace, Birmingham, B1 2HB  
Unity Trust Bank plc is authorised and regulated by the Financial Services Authority  
and is entered in the FSA's register under number 204570.

