report and accounts 2015

Unity Trust Bank plc

Registered Head Office and Customer Services Centre

Nine Brindleyplace
Birmingham
B1 2HB

Tel: 0345 140 1000
Fax: 0345 113 0003

Registered in England and Wales
No. 1713124

FCA Register No. 204570

Board of Directors

Alan Hughes (Chairman)
Margaret Willis (Chief Executive Officer)
Dave Prentis (President and Non-Executive Director)
Roderick Chamberlain (Independent Non-Executive Director)
Sandy Chen (Independent Non-Executive Director)
Clare Gosling (Chief Financial Officer)
Jim Gunner (Independent Non-Executive Director)
Ed Sabisky (Non-Executive Director)
Allan Wylie (Non-Executive Director)

Company Secretary

Kate Eldridge

Executive Management

Margaret Willis, Chief Executive Officer
Clare Gosling, Chief Financial Officer
Mark McEvitt, Chief Risk Officer
Dave Matkin, Director, Commercial Banking
Darrin Nightingale, Director, Customer, Propositions, Corporate Affairs
Julia Tarpey, Director, Human Resources

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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The Chairman's Statement

Unity Trust Bank enters 2016 with the same heart and social purpose as ever, but in a very different condition than just a year ago. The transformation Unity has achieved in the last 12 months is remarkable.

In 2015, Unity became an independent bank; it came of age. We attracted outstanding new executives and directors. We increased our capital to enable us to grow. We were energised by the support of our shareholders, old and new. The Board and Executive are delighted with this and are also conscious of the trust placed in us now to develop Unity to its full potential. We are encouraged on this journey by the enthusiasm of our staff, the loyalty of our customers, and the energy in the communities we serve.

Back in 1984, Unity was founded on a philosophy of serving the common good, not just the maximisation of profit. It was the brainchild of the trade unions who wanted to create a bank that was good for society as a whole.

These qualities are no less important today; arguably, they are more so. Unity stands out amongst banks for its integrity and its desire to benefit society in all it does. Unity is now in a much better position to serve a market more thirsty for this than ever. Our founding principles hold firm and in 2015 we enshrined them in our Constitution, not just our marketing.

We have a clear vision for Unity as a challenger bank that serves its customers well, and operates with that same integrity and social conscience. Our opportunity is growing.

Changes to Unity's Ownership

Unity is no longer a subsidiary of The Co-operative Bank. I want to thank The Co-operative Bank for the support it has contributed to Unity over the last 30 years. That part of our journey is now complete. The Co-operative Bank has a small residual shareholding but no one shareholder has control of the Bank any longer. Trade unions still hold well over half of Unity's shares.

In 2015, Unity adopted new Articles of Association which enshrined the purpose and values of the Bank; share classes were combined into one, all pari passu and new shares were issued. Our 2015 capital raise was well received by shareholders old and new. I want to thank our trade union shareholders for their continued support and to welcome some new shareholders, including two co-operative societies, pleasingly retaining Unity's links with The Co-operative movement. More information on the transaction can be found in the Directors' Report and the Financial Statements.

Changes to the Board and Executives

I would like to thank those Board and Executive team members who left Unity through the year for their unstinting contribution to Unity's progress. We wish Graham Bennett, Billy Hayes, Paul Noon and Steve Tasker a long and happy retirement. Ian Morrison and Peter Kelly have our good wishes as they move on to pastures new. Special thanks to Richard Wilcox, our CEO, who also retired in 2015 as announced last year.

We were very pleased to welcome Sandy Chen and Jim Gunner to the board as independent directors. Each brings a wealth of banking knowledge and experience to Unity.

A particular welcome to Margaret Willis who joined as Director and Chief Executive, Margaret brings the benefit of an international banking career covering both commercial and retail banking and a commitment to Unity's ethos. Also, after the year end, Clare Gosling joined as Director and Chief Financial Officer. Clare previously served as a non–executive director of Unity and we are pleased to have retained her skills and knowledge in this executive role.

In building an independent bank, we added management strength in the vital functions of Risk and Control, Finance and Treasury. Our customer relationship management, marketing and distribution capabilities were increased substantially. In all cases, we attracted outstanding executives with excellent experience and knowledge of our industry and sector.

Business Performance

2015 has been a year of transition for the Bank. The profit before tax for the year of £0.7 million (2014 restated: £1.0 million) reflects the costs of becoming operationally independent from The Co-operative Bank. The low interest rate environment continues to impact profitability, as it does for all banks.

Thus, performance is still depressed by the combination of low interest rates and Unity's low lending performance in 2013-15. With the benefit of additional capital and new, highly experienced, distribution team members, this is being addressed, cautiously and in the low risk manner that you would expect. The Bank's risk management framework has been strengthened and is being embedded in the business.

Customer service remains exceptional and the Bank was rated No.1 by charity professionals in eight out of nine customer satisfaction categories in the Charity Finance Banking Survey 2015.

Given the results and the capital raise, the Directors propose there be no dividend payment for 2015, but it is our intention that normal dividends resume next year in respect of 2016.

Positive Social Impact

In line with our double bottom line strategy, we are proud of the positive social and community impact Unity achieved in 2015.

£46.8 million of loans supported projects delivering community, economic, social or environmental benefit. This lending created and sustained 3,773 jobs, 502 bed spaces and 13 community facilities.

Staff completed 100.5 volunteer days during 2015, 34% of which were skills based. £4,067 was donated to good causes through staff fundraising.

The Bank is proud to be a Living Wage employer, has investors in people gold status and is the first bank to be awarded the fair tax mark.

I look forward to the publication of our first social impact report as an independent bank in the first half of this year. You will be able to find this on our website www.Unity.co.uk.

Regulators

Compliance with all regulation has overriding importance at Unity. Integrity in banking is core to us. The Bank continues to foster a positive relationship with our regulators and has a strong capital and liquidity position.

2016 and Beyond

The independent Unity is now correctly positioned to develop, grow and be a force for good. Unity is in a unique position as a bank with a wealth of experience and the vigour and attributes of a youthful challenger. Your Board is determined to make the most of the opportunity that lies before us.

Alan Hughes
Chairman
Unity Trust Bank plc
23 March 2016

Strategic Report

The Bank's core business model continues to focus on the provision of banking services for organisations that share our 'double bottom line' philosophy to achieve sustainable returns for itself and its members as well as delivering positive social impact. Whilst the Bank has a reducing book of legacy non-core lending, all new lending is subject to the Bank's social filter. The Bank has no branches and services customers through a relationship manager led proposition for our larger customers, supported by telephony and digital channels; our telephone service and Head Office is based in Birmingham.

The Bank's strategic plan is built on continuing to grow its customer relationships within both traditional segments of charity and social sector organisations and supporting businesses who share our vision and purpose.

The Bank has the following strategic priorities:

- Work with customers to build lasting relationships with positive social impacts and sustainable financial returns;
- Maintain a quality asset base supported by a strong capital position and strong management of risks and controls; and
- Increase lending to its chosen business sectors.

2015 has been a year of transition for the Bank. The profit before tax for the year of £0.7 million (2014 restated: £1.0 million) reflects the costs of becoming operationally independent from The Co-operative Bank. The low interest rate environment continues to impact profitability, along with all other banks, suppressing margins on both customer liabilities and assets as well as returns on treasury assets.

Capital

The Bank ended the year with a Core Equity Tier 1 (CET1) ratio of 26.5% (2014 restated 23.2%). In December 2015, the Bank purchased 3.25 million shares from The Co-operative Bank which reduced its shareholding from 26.6% to 6.7% and removed its status as the Bank's parent company. In a separate transaction, the Bank raised £7.3m of additional capital, net of costs.

Liquidity

The Bank's liquidity resources were £476 million at the end of 2015 in comparison to £415 million at the end of 2014. All of the Bank's funding comes from customer accounts. The Bank continues to benefit from a stable, loyal and growing customer deposit base.

Deposit balances at the year-end were £831.7 million (2014: £782.8 million).

Financial Performance

The 2015 financial results reflect the progress made in implementing the strategic priorities of gaining independence from The Co-operative Bank and positioning the independent Bank for growth. The primary drivers of 2015 financial performance are:

- Costs increased to £9.7 million (2014: £8.6 million) reflecting the costs of gaining independence (e.g. costs to transfer clearing) as well as the increased costs associated with running an independent Bank.
- A net credit to impairment provisions of £0.3 million (2014: £0.4 million) mainly due to increased property values affecting provisions in the non-core portfolio.

Net interest income

Net interest income for 2015 amounted to £9.2 million (2014 restated: £8.3 million). Total loans and advances to customers at the end of the year was £187 million (2014 restated: £174 million). Loans and advances new to the Bank totalled £45.3 million (2014: 32.6 million), an increase of 39%.

Gross fees and commission income for the year totalled £2.3 million (2014 restated: £2.2 million).

Operating expenses

Total operating expenses for the year are £9.7 million (2014 restated: £8.6 million) of which £5.1 million (2014: 4.1 million) is attributable to staff costs. The average number of staff employed during the year was 94 (2014: 90).

A number of redundancy payments have been made in the year (£0.4 million) as the Bank has strengthened the Executive team and functional structures.

Derivative financial instrument costs

The Bank sold its derivative financial instruments in the year at a loss of £0.1 million.

Share transaction costs

As part of the capital raising, the Bank incurred transaction costs of £0.3 million. These costs were offset against gross share premium, giving a net increase in capital of £7.3 million, of which £3.5 million was recorded as share premium.

Outlook

During the last twelve months, the Bank has undergone a significant transition, effecting structural change, enhancing its governance, including a refreshed Board and Executive Committee and embedding its risk and control framework. The Bank's purpose has been reinforced and the distribution model strengthened with an increased focus on customer growth.

The Bank is well positioned to grow in 2016 as an independent organisation. Our 'double bottom line' strategy is the bedrock of the Bank. It aims to create positive benefit for customers, shareholders, staff and society.

The costs of running an independent bank in a complex regulatory environment continue to increase and growth is key for the Bank to meet shareholder, customer and regulatory expectations. The Bank continues to invest in infrastructure, technology, its people and its risk management capabilities. The Bank is also reviewing its customer products and services alongside its liability strategy and will communicate with our customers early in 2016.

Along with all other financial institutions, the Bank's execution of its plan is impacted by the economic environment and the continuing low base rate.

The Bank leverages its financial strength and strong liquidity to capitalise on current market opportunities. The brand, culture, strong employee and customer engagement along with freedom from legacy issues create clear differentiation and a growth opportunity. Technology development will be key to supporting success and the Bank will further invest in IT infrastructure to maximise digital capability as well as to improve operational efficiency.

Principal risks and uncertainties

The Bank has a risk management process which provides a structured and consistent framework for anticipating, identifying, assessing and responding to risks. The key identified risks, many of which are inherent in all banking business, are monitored and managed through the risk control framework. Further information on risk management and the governance structure of the Bank can be found in the Pillar 3 disclosures on the Bank's website.

The Board of Unity Trust Bank sets clear risk appetite statements within which the Executive team manages.

The Bank operates a 'three lines of defence' model whereby the first line of defence undertakes all aspects of operational management, the second line Risk team undertakes oversight and monitoring of first line processes and operations and the third line is the internal audit function which is currently outsourced to PwC. The annual internal audit plan covers the major risks impacting the business on a rolling basis.

Risk	Mitigation
Credit Risk is the risk that counterparties will be unable or unwilling to meet a commitment that they have entered into with the Bank.	The Bank has an experienced credit underwriting team which reviews all applications against a Board approved lending policy. Treasury investments are subject to strict rules on the quality of counterparties which are restricted to financial institutions and government related institutions. Second line resources ensure enhanced oversight, monitoring and control.
Market Risk is the risk that changes in market rates negatively impact the earnings or market value of the Bank's assets and liabilities.	The Bank has no exposure to foreign exchange risk. Market risks and economic indicators are considered at Board and Executive Committees and stress testing is reviewed regularly. Interest rate risk is monitored on a monthly basis as part of Asset and Liability Committee (ALCO) responsibilities.
Liquidity and Funding Risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet its commitments as and when they fall due.	The Bank considers liquidity risk at Board and Executive Committees, whilst working within the Individual Liquidity Adequacy Assessment (ILAA) which is approved at ALCO and Board on an annual basis. Stress testing is reviewed regularly. The Treasury team manages liquidity on a day-to-day basis, with oversight from the Risk team. The Bank has a strong liquidity position due to the nature of its customer base.
Operational Risk is the risk that failures in the Bank's operational processes, including technology, or external events cause monetary loss, service disruption or customer detriment.	The Bank's operational risk is monitored via the risk management framework. A system of controls and risk logs as well as event and near miss reporting is in place to monitor this risk and these are considered and reviewed at both Executive and Board Committees.

Risk	Mitigation
Strategic Risk is the risk that the Bank fails to execute its strategic plan or fails to execute elements of its strategic plan effectively due to poor planning or changes in the economic environment.	The Executive team monitors performance trends on a weekly basis and monthly actual and forecast management information is discussed at both Executive and Board levels.
Conduct Risk is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales and marketing processes or operational delivery.	The Bank is committed to working with its customer and services to ensure that its products are simple, fair and transparent. Complaints are monitored along with a number of other conduct risk metrics at Executive and Board Committees on a monthly basis. New product governance is monitored by the Executive team.
Regulatory Risk is the risk that the Bank does not comply with changes in the regulatory environment.	The Bank's Risk and Compliance team monitors regulatory change and compliance and reports to the Executive and Board as appropriate.
Pension Risk is the risk to the Bank's capital and company funds from the Bank's exposure to the Pace defined benefit pension scheme, run by the Co-operative Group, and risks inherent in the valuation of scheme liabilities and assets. The pension scheme is structured on a 'last man standing' basis therefore, as a participating employer in the scheme, the Bank would be liable for a greater proportion of the scheme's liabilities were one or more other participating employers to become insolvent.	The Bank has closed its defined benefit pension scheme to future accrual as at October 2015. The Board is in dialogue with its external advisors as to how to manage and reduce this risk.

By Order of the Board

Margaret Willis
Chief Executive Officer
Unity Trust Bank plc
23 March 2016

Report of the Directors for the year ended 31 December 2015

Results and Dividends

The results for the year, before taxation, amounted to a profit of £0.7 million (2014 restated: £1.0 million). The Directors recommend payment of a final dividend of nil (2014: £0.2 million).

Post Balance Sheet Events

Since the year end 1,675,000 ordinary shares were issued at the price of £2 per share. This has increased share capital by £1.7 million and share premium by £1.7 million, gross of costs. As a result, the Core Equity Tier 1 ratio has increased to 28.3%, on a proforma basis.

Directors

The Directors at the date of signing the accounts are:

Non-Executive Directors
Alan Hughes, Chairman (appointed as a Director 8 April 2015 and as Chairman 22 May 2015)
Dave Prentis, President and Non-Executive Director
Roderick Chamberlain, Independent Non-Executive Director
Sandy Chen, Independent Non-Executive Director (appointed 3 November 2015)
Jim Gunner, Independent Non-Executive Director (appointed 17 July 2015)
Ed Sabisky, Non-Executive Director
Allan Wylie, Non-Executive Director

Executive Directors
Margaret Willis, Chief Executive Officer (appointed 31 July 2015)
Clare Gosling, Chief Financial Officer (appointed 28 January 2016)

The Directors who served during the year not included above are:

Graham Bennett (to 22 May 2015)
Peter Kelly (to 22 May 2015)
Ian Morrison (to 22 May 2015)
Paul Noon (to 22 May 2015)
Michael Osborne (to 22 May 2015)
Richard Wilcox (to 30 June 2015)
Clare Gosling (as a Non-Executive Director to 20 August 2015)
William Hayes (to 24 August 2015) and his Alternate Director, Tony Kearns (to 24 August 2015)
Steve Tasker (resigned as Alternate Director to Dave Prentis following adoption of new Articles, 15 December 2015)

Constitution

At General Meetings held on 14 December 2015, the shareholders passed resolutions to approve the adoption of new Articles of Association, and to re-designate the Bank's share capital from 'A', 'B' and 'C' share classes to a single class of Ordinary shares, where all shareholders have equal rights. The new Articles of Association enshrine the Bank's purpose, to serve organisations that create economic, community, social or environmental benefit, and its values, in the Constitution.

Purchase of the company's own shares

On 15 December 2015, the Bank purchased 3.25 million ordinary £1 shares from Co-operative Commercial Ltd, a subsidiary of The Co-operative Bank, at a total cost of £5.85 million. Prior to the Bank's issue of new shares, that represented 19.8% of the Bank's nominal share capital. The Bank immediately cancelled the shares purchased.

Employee Share Ownership Plan

On 10 April 2015, the Bank's wholly owned subsidiary, Unity EBT Ltd, trustee of the Bank's Employee Share Ownership Plan (ESOP) purchased 5,000 Ordinary £1 'C' shares at a total cost of £10,000. This represented less than 0.1% of the Bank's nominal share capital.

These shares were used during the year in the operation of the ESOP scheme, including gifts of shares to employees at their first and tenth anniversary of service, shares taken in lieu of Profit Share and shares purchased by staff on the Dealing Day. At 31 December 2015, Unity EBT Ltd held 2,012 Ordinary £1 shares. The Bank funds Unity EBT Ltd.

Insurance and Indemnities

The Bank maintains Directors' and Officers' liability insurance cover. Deeds of Indemnity are provided by the Bank to each Director of the Bank and its subsidiary, Unity EBT Ltd. 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 as at the date of approval of this report.

Future Developments

An indication of future developments can be found in the Strategic Report.

Change in Accounting Policy

No changes to accounting policy have been made in the year.

Taxation

The Bank participates in the Community Investment Tax Relief (CITR) scheme which encourages investment in disadvantaged communities by giving tax relief to companies who invest in Community Development Finance Institutions (CDFIs).

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

£'000	**2015**	**2014**
Corporation tax borne	149	210
Employment taxes borne		
• Employer NIC	389	321
Total taxes paid	**538**	**531**
Employment taxes collected		
• Employee PAYE and NIC	1,089	826
Total tax contributions	**1,627**	**1,357**

Deductions from Corporation Tax totalling £249,000 (2014: £205,000) were made regarding the CITR scheme.

Corporate Governance

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

Directors' responsibilities statement in respect of the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with 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 judgements 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.

Directors' responsibilities statement in respect of the Directors' Report and the financial statements (continued)

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 2016. 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.

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 making this assessment, the Directors have considered a wide range of information relating to present and future conditions including future projections of profitability, cash flows and capital resources. In addition, notes 28 and 29 to the financial statements include the Bank's policies and processes for managing its capital; its financial risk management and its exposures to credit risk and liquidity risk.

The Bank has considerable financial resources and the Directors believe that the Bank is well placed to manage its business risks successfully. For this reason, they continue to adopt the going concern basis in preparing the Bank's financial statements.

Further information relevant to the assessment is provided within the basis of preparation of the financial statements on pages 15 to 19.

Disclosure of Information to the Auditor

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's 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.

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

Auditor

The Bank will consider the appointment of the external auditor following the 2016 audit tender process.

By order of the Board.

Kate Eldridge
Company Secretary

Registered Office:
Nine Brindleyplace
Birmingham
B1 2HB

23 March 2016

Independent Auditor’s Report to the Members of Unity Trust Bank plc

We have audited the financial statements of Unity Trust Bank plc for the year ended 31 December 2015 set out on pages 10 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report to the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

23 March 2016

Income Statement for the year ended 31 December 2015

All amounts are stated in £000s unless otherwise indicated

	Notes	2015	Restated 2014
Interest receivable and similar income	6	**10,857**	9,869
Interest expense and similar charges	7	**(1,692)**	(1,527)
Net Interest Income		**9,165**	8,342
Fee and commission income		**2,291**	2,198
Fee and commission expense		**(1,152)**	(955)
Net fee and commission income		**1,139**	1,243
Total income		**10,304**	9,585
Operating expenses	8	**(9,676)**	(8,610)
Financial Services Compensation Scheme levies		**(98)**	(119)
Impairment credits/ (losses) on loans and advances	13	**335**	357
Fair value movement in derivatives		**(129)**	(212)
Profit before taxation	4	**736**	1,001
Taxation	10	**128**	(1)
Profit for the year attributable to shareholders		**864**	1,000

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

The 2014 comparative figures have been restated as described in note 3.

Statement of Comprehensive Income for the year ended 31 December 2015

All amounts are stated in £000s unless otherwise indicated

	2015	Restated 2014
Profit for the year - equity shareholders	**864**	1,000
Other comprehensive income:		
Changes in cashflow hedges		
Net changes in fair value recognised directly in equity	**(38)**	31
Income tax	**8**	(7)
Changes in available-for-sale assets		
Net changes in fair value recognised directly in equity[1]	**525**	(57)
Income tax	**(106)**	12
Other comprehensive income/ (expense) for the year, net of tax	**389**	(21)
Total comprehensive income for the year	**1,253**	979

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

Attributable to:		
Equity shareholders	**1,253**	979

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

The 2014 comparative figures have been restated as described in note 3.

Statement of Financial Position as at 31 December 2015

All amounts are stated in £000s unless otherwise indicated

	Notes	2015	Restated 2014	Restated 2013
Assets				
Cash and balances w ith the Bank of England	11	**377,983**	-	-
Loan and advances to banks	12	**39,354**	316,246	274,849
Loans and advances to customers	13	**187,240**	173,950	183,791
Investment securities - available for sale	14	**277,249**	339,215	255,252
Derivative financial instruments	15	**-**	325	533
Intangible fixed assets	16	**227**	327	455
Property, plant and equipment	17	**266**	257	217
Deferred tax assets	22	**73**	60	91
Other assets	18	**31**	57	49
Prepayments and accrued income	19	**556**	543	352
Current tax assets		**91**	749	914
Total assets		**883,070**	831,729	716,503
Liabilities				
Customer accounts		**831,680**	782,761	668,622
Derivative financial instruments	15	**-**	12	18
Other liabilities	20	**571**	547	318
Accruals and deferred income		**553**	842	632
Provisions for liabilities and charges	21	**286**	130	151
Total liabilities		**833,090**	784,292	669,741
Capital and reserves attributable to the Bank's equity holders				
Ordinary share capital	24	**17,000**	16,429	16,429
Share premium account	24	**3,733**	250	250
Capital redemption reserve	24	**3,250**	-	-
Retained earnings		**25,637**	30,787	30,091
Other reserves - available for sale		**360**	(59)	(14)
- cashflow hedging reserve		**-**	30	6
Total equity		**49,980**	47,437	46,762
Total liabilities and equity		**883,070**	831,729	716,503

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

The 2014 comparative figures have been restated as described in note 3.

Approved by the Board on 23 March 2016 and signed on its behalf by:

Margaret Willis, Chief Executive Officer
Alan Hughes, Chairman

Statement of Changes in Equity for the year ended 31 December 2015

All amounts are stated in £000s unless otherwise indicated

Attributable to equity holders of the Bank

2015	**Share capital**	**Share premium**	**Capital redemption reserve**	**Available-for-sale reserve**	**Cashflow hedging reserve**	**Retained earnings**	**Total equity**
At 1 January 2015 (as restated)	**16,429**	**250**	**-**	**(59)**	**30**	**30,787**	**47,437**
Total comprehensive income for the financial year	**-**	**-**	**-**	**419**	**(30)**	**864**	**1,253**
Issue of share capital	**3,821**	**3,483**	**-**	**-**	**-**	**-**	**7,304**
Own shares acquired during the financial year	**(3,250)**	**-**	**3,250**	**-**	**-**	**(5,850)**	**(5,850)**
Dividend	**-**	**-**	**-**	**-**	**-**	**(164)**	**(164)**
At 31 December 2015	**17,000**	**3,733**	**3,250**	**360**	**-**	**25,637**	**49,980**

Restated 2014	Share capital	Share premium	Capital redemption reserve	Available-for-sale reserve	Cashflow hedging reserve	Retained earnings	Total equity
At 1 January 2014	16,429	250	-	(14)	6	30,091	46,762
Total comprehensive income for the financial year	-	-	-	(45)	24	1,000	979
Dividend	-	-	-	-	-	(304)	(304)
At 31 December 2014	16,429	250	-	(59)	30	30,787	47,437

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

The 2014 comparative figures have been restated as described in note 3.

Statement of Cash Flows for the year ended 31 December 2015

All amounts are stated in £000s unless otherwise indicated

	Notes	2015	Restated 2014
Cash flows from operating activities			
Profit before taxation		**736**	1,001
Adjustments for non-cash items:			
Increase in prepayments and accrued income		**(13)**	(191)
(Decrease) / Increase in accruals and deferred income		**(289)**	210
Impairment credits on loans and advances		**(335)**	(357)
Fair value changes of derivatives		**275**	233
Depreciation and amortisation		**289**	253
Provision for liabilities and charges		**346**	99
		1,009	1,248
Increase in customer accounts		**48,919**	114,139
(Increase)/ decrease in loans and advances to customers		**(12,955)**	10,198
Increase in Bank of England mandatory reserve	11	**(55)**	-
Net movement of other assets and other liabilities		**(139)**	100
Income tax received / (paid)		**674**	201
Net cash flow from operating activities		**37,453**	125,886
Cash flows from investing activities			
Purchase of property, plant and equipment		**(159)**	(157)
Intangible asset additions		**(39)**	(8)
Purchase of investment securities		**(233,920)**	(926,987)
Proceeds from sale and maturity of investment securities		**296,411**	842,967
Net cash used in investing activities		**62,293**	(84,185)
Cash flows from financing activities			
Ordinary share dividends paid		**(164)**	(304)
Buy back of own shares		**(5,850)**	-
Proceeds on issue of share capital net of transaction costs		**7,304**	-
Net cash flow from financing activities		**1,290**	(304)
Increase in cash and cash equivalents		**101,036**	41,397
Cash and cash equivalents at the beginning of the financial year		**316,246**	274,849
Cash and cash equivalents at end of the financial year		**417,282**	316,246
Cash and balances with the Bank of England	11	**377,928**	-
Loans and advances to banks	12	**39,354**	316,246
		417,282	316,246

The accounting policies and notes on pages 15 to 39 form part of these financial statements.

The 2014 comparative figures have been restated as described in note 3.

Notes to the Financial Statements

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies

Unity Trust Bank plc (the 'Bank') is registered in England and Wales (No 1713124) under the Companies Act.

Basis of preparation

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

The financial information has been prepared under the historic cost convention as modified by the revaluation of available for sale financial assets, derivative contracts, and certain other financial assets and financial liabilities held at fair value. The Bank applies the recognition measurement and disclosure requirements of IFRS in issue that are endorsed by the EU and are effective for accounting periods beginning on or after 1 January 2015.

Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised standards

Standards and interpretations issued and effective

In preparing these financial statements, the Bank has adopted the following pronouncements during the year that are new or revised:

Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'

Effective from 1 February 2015 and endorsed by the EU on 9 January 2015. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. This does not have a material impact on the Bank.

Standards and interpretations issued but not yet effective

IFRS 9 'Financial Instruments'

Effective from 1 January 2018 and not yet endorsed by the EU. The standard replaces IAS 39: Financial Instruments: Recognition and Measurement. The Bank is currently assessing the impact that IFRS 9 will have on its financial statements. The Bank has not yet estimated the financial effects, although it is expected to have a significant impact for the Bank in line with the wider industry.

Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'

Effective from 1 February 2016 and not yet endorsed by the EU. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. This will have no impact on the Bank.

Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'

Effective from 1 February 2016 and not yet endorsed by the EU. The amendments clarify that the use of revenue based methods to calculate the depreciation of a tangible asset and amortisation of an intangible asset, is not appropriate because revenue generated by an activity that includes the use of an asset, generally reflects factors other than the consumption of the economic benefits embodied in the asset. This is unlikely to have a material impact on the Bank.

IFRS 15 'Revenue from Contracts with Customers'

Effective from 1 January 2017 and not yet endorsed by the EU. The standard replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-3. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognised. This is unlikely to have a material impact on the Bank.

IFRS 16 'Leases'

Effective from 1 January 2019 and not yet endorsed by the EU. The standard replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This is unlikely to have a material impact on the Bank.

Other standards and interpretations have been issued but these are not considered to be relevant to the Bank's operations.

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

Significant accounting policies

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

(a) Revenue recognition

Interest income

Interest income is recognised on an effective interest rate (EIR) basis, inclusive of directly attributable incremental transaction costs and fees, and discounts and premiums where appropriate. The EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, back to the initial carrying amount. The contractual life of a financial asset is used as a proxy for the expected life.

In calculating EIR, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. Included within interest income is arrangement and other fees relating to loans and advances to customers that are included in the effective interest calculation.

The Bank has reviewed its EIR models and methodologies in accordance with accounting standards and best practice. Based on this review, the Bank has amended its calculations and retrospectively restated prior years. Note 3 shows details of the prior year restatement.

Fees and commissions

Fee and commission income is predominantly made up of fees received which are not spread across expected asset lives under the EIR method. These fees are taken to income on an accruals basis as services are provided.

Fees and commissions payable to introducers in respect of obtaining lending business, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate. Other fees are taken to the Income Statement.

(b) Financial instruments (excluding derivatives)

Financial assets

The Bank initially recognises loans and advances, deposits and other borrowed funds on the date at which they are originated.

Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

The Bank classifies its financial assets (excluding derivatives) as either:

i. Loans and receivables; or
ii. Available for sale.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Bank does not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the effective interest method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses.

Loans and receivables mainly comprise loans and advances to customers and banks.

ii) Available for sale

Available for sale financial assets are non-traded investment securities, intended to be held for an indefinite period of time. These are measured at fair value based on current bid prices where quoted in an active market. Where there is no active market or the securities are unlisted the fair values are based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates, and other commonly used valuation techniques. Movements in fair value are recorded in equity as they occur. On disposal, gains and losses recognised previously in equity are transferred to the Income Statement.

Financial liabilities

The Bank measures all of its financial liabilities (excluding derivatives) at amortised cost.

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

(c) Impairment provisions

At the balance sheet date, the Bank assesses its financial assets for objective evidence that an impairment event has occurred.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or the disappearance of an active market for a security. In terms of forbearances, the Bank recognises all such cases within its provisioning methodology.

The Bank considers evidence for impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. Loans and advances not individually significant are collectively assessed for impairment by grouping together loans and advances by similar risk characteristics.

The amount of the loss is the difference between the:

- asset's carrying amount; and
- present value of estimated future cash flows (discounted at the asset's original or variable effective interest rate for amortised cost assets and at the current market rate for available for sale assets).

Impairment of financial assets carried at amortised cost

The amount of the impairment loss on assets carried at amortised cost is recognised immediately through the Income Statement and a corresponding reduction in the value of the financial asset is recognised.

The written down value of the impaired financial asset is compounded back to the net realisable balance over time using the original effective interest rate. This is reported through interest and similar income within the Income Statement and represents the unwind of the discount.

A write-off is made when all or part of a claim is deemed un-collectable or forgiven. Write-offs are charged against previously established provisions for impairment or directly to the Income Statement.

Provisions are released, in whole or in part, at the point when it is deemed that the risk of loss has reduced to the extent that a provision is no longer required.

Impairment of financial assets classified as available for sale

Impairment losses on available for sale assets are recognised by transferring the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impaired loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. However any subsequent recovery in fair value of an impaired available for sale financial asset is recognised directly in equity.

(d) Derivative financial instruments and hedge accounting

Derivatives used for asset and liability management purposes

Derivatives are used for asset and liability management purposes to manage interest rate exposures related to non-trading positions. The instruments used are interest rate swap contracts.

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

The Bank is currently not holding any derivatives.

Cash flow hedges

Where derivatives are designated as hedges of the exposure to variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the portion of the fair value gain or loss on the derivative that is determined to be an effective hedge is recognised directly in equity. The ineffective part of any gain or loss is recognised in the Income Statement immediately.

The accumulated gains and losses recognised in equity are reclassified to the Income Statement in the periods in which the hedged item will affect income or expense. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised at that time remains in equity until the forecast transaction is eventually recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately reclassified to the Income Statement.

No derivatives are held for trading purposes.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

(e) Property, plant and equipment

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

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

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

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

(f) Intangible assets

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

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

Banking system	10% per annum

The banking system is regularly reviewed for indications of impairment. Any impairment identified would be charged to the Income Statement.

(g) Cash and cash equivalents

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

(h) Taxation

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

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

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

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

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

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

(i) Pension costs

Defined contribution basis
With effect from 6 April 2006, the Bank participates in The Co-operative Pension Scheme (Pace). Pace is a hybrid scheme, consisting of a defined benefit section and a defined contribution section. There is currently insufficient information available to consistently and reliably identify the Bank's share of its liabilities in respect of this multi-employer scheme. As a result, the pension costs are accounted for on a defined contribution basis in accordance with IAS 19: Employee Benefits. Pension costs are recognised as an expense in the Income Statement.

(j) Offsetting

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

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

(k) Operating leases

The leases entered into by the Bank are operating leases. The total payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

(l) Provisions

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

(m) Deferred income

Customer loan arrangement fees which are received from customers in advance are recognised as deferred income until the customer loan is drawn down.

(n) Sale and repurchase agreements

Securities purchased under agreements to re-sell (reverse repos) are classified as loans and advances to banks on the balance sheet as appropriate.

(o) Share premium

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

(p) Capital redemption reserve

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

All amounts are stated in £000s unless otherwise indicated

2 Critical estimates and judgements

In the preparation of the financial statements, the Bank makes critical judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from these estimates. Critical judgements and the assumptions used in calculating estimates are continually assessed and reviewed, and are based on historical experience and reasonable expectations of future events.

Impairment provisions

The loan portfolios are reviewed on a continuous basis to assess impairment. In determining whether an impairment provision should be recorded, judgements are made as to whether there is objective evidence that a financial asset or portfolio of financial assets is impaired as a result of loss events that occurred after recognition of the asset and prior to the balance sheet date.

Individual provisions

Individual provisions are recorded for corporate loans which are assessed for impairment on an individual basis. Each corporate loan is assessed and allocated a 'risk grade' to enable the Bank to monitor the overall quality of its lending assets. Loans with a higher risk grade Indicate that lending is potentially at risk and provisions for future loss may be required.

The provision is calculated based on expectations of levels of future cash flows and the likelihood of loans being written off. Judgement is required by management in assessing the expected future cash flows, the customers' debt servicing capability, together with the realisable value of collateral. The actual amount of future cash flows and their timing may differ from the assumptions made for the purposes of determining the impairment provision.

An increase in the forced sale discount by 5% would result in an increase in impairment provision of £99k.

Collective provisions

Loans which have not been individually impaired are assessed for collective impairment. The collective provisions cover losses which have been incurred but not yet identified on loans subject to individual assessment and for homogeneous groups of loans that are not considered individually significant.

An assessment is made of the likelihood of the loan becoming recognised as impaired in the loss emergence period and for loans that are impaired, the likelihood of them moving to default over the outcome period. The calculation of the collective provision relies heavily on assumed probability of default.

The impact of increasing the default rate by 1% is an increase in the collective provision of £53k.

Effective interest rate (EIR)

In calculating the EIR to apply to financial assets and financial liabilities held at amortised cost, the Bank estimates future cash flows, considering all contractual terms of the financial instrument. A critical assumption used in the calculation is the expected life over which to measure future cash flows. The amortised cost of financial assets will change with slight variances in actual term and expected term.

A decrease in the expected life of customer loans by one month will increase the loans and advances to customers by £48k, with a corresponding reduction to interest income.

Prior year restatement

Accounting policies adopted by the Bank are reviewed annually to ensure consistency with relevant and up-to-date accounting guidance. Any changes in the adoption of accounting policies in the financial statements are amended retrospectively. Materiality of the misstatement is considered, which involves assessing the quantum and nature of any misstatement.

The Bank has reviewed the accounting policy applied for recognising financial assets on an amortised cost basis using an effective interest rate model, and has identified a prior year misstatement. The Bank has as a result adjusted the financial statements retrospectively, in accordance with accounting guidance. The restatement is detailed within note 3.

All amounts are stated in £000s unless otherwise indicated

3 Restatement

Effective interest rate (EIR)

a. The Bank has reviewed its EIR models and methodologies in accordance with accounting standards and best practice. Based on this review, the Bank has amended its calculations and retrospectively restated prior years. This has resulted in an increase in retained earnings of £173k for the year ended 31 December 2014 (Jan 2014: £262k) and a consequent reduction in other liabilities in 2014. The change in methodology has resulted in £152k of additional interest income recognised in 2014. Additional tax charge of £61k arising from the January 2014 adjustments is recognised in reserves, with a corresponding increase in other liabilities.

Accruals and deferred income

b. As part of the Bank's review of its EIR models, management identified that fees received in advance by customers prior to the customer loan being active should be excluded from the EIR model. This has resulted in deferred income of £180k being recognised for the year ended 31 December 2014, and a corresponding impact on reserves. The January 2014 adjustment of £104k results in a reclassification from other liabilities to deferred income.

Investment securities

c. The Bank has reviewed its methodology for calculating accrued interest receivable from investment securities in accordance with accounting standards. This review has resulted in the Bank changing its calculation for accrued interest and retrospectively restating prior year. This has resulted in an increase in profit of £58k and had a corresponding impact on investment securities for the year ended 31 December 2014.

Reclassifications

In addition to the restatements above, the Bank has chosen to re-present the following items, which are included in the table below. These reclassifications have no effect on either profit for the year or net assets for the Bank.

Effective interest rate

d. The fee income recognised as a result of the EIR model was previously recognised within fee and commission income within the Income Statement. This £309k has been re-presented as part of net interest income on loans and advances to customers for the year ended 31 December 2014.

e. In previous years, the Bank recognised the EIR adjustment (Dec 2014: £1,469k; Jan 2014: £1,318k) as part of other liabilities. This has been re-presented as part of loans and advances to customers, leading to an adjustment to other liabilities.

Cash and balances with banks

f. In previous years, the Bank recognised cash held with banks within cash and balances with central banks (Dec 2014: £138k; Jan 2014: £146k). This has been re-presented as part of loans and advances to banks, leading to an adjustment to cash and balances with central banks.

Statement of financial position

	1 Jan 2014 (as reported)	Adjustment	1 Jan 2014 (restated)	31 Dec 2014 (as reported)	Adjustment	31 Dec 2014 (restated)
Assets						
Cash and balances with central banks	146	(146) [f]	-	138	(138) [f]	-
Loans and advances to banks	274,703	146 [f]	274,849	316,108	138 [f]	316,246
Loans and advances to customers	184,743	(952) [a,b,e]	183,791	175,005	(1,055) [a,e]	173,950
Investment securities - available for sale	255,252	- [c]	255,252	339,157	58 [c]	339,215
Liabilities						
Other liabilities	1,575	(1,257) [a,e]	318	1,955	(1,408) [a,e]	547
Accruals and deferred income	528	104 [b]	632	662	180 [b]	842
Reserves						
Retained earnings	29,890	-	29,890	30,556	-	30,556
Adjustment for EIR	-	201 [a]	201	-	173 [a]	173
Adjustment for Investment securities	-	-	-	-	58 [c]	58
	29,890	201	30,091	30,556	231	30,787

Income Statement

	31 Dec 2014 (as reported)	Adjustment	31 Dec 2014 (restated)
Net interest income on loans and advances to customers	6,321	281 [a,b,d]	6,602
Net interest income on investment securities	609	58 [c]	667
Fee and commission income	2,507	(309) [d]	2,198
Profit before taxation	971	30	1,001

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

4 Profit before taxation

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

	2015	2014
Audit services		
Fees payable for the audit of the annual accounts	**69**	69
Non-Audit services		
Fees payable for all other services	**38**	57
Total	**107**	126

5 Directors' emoluments

	2015	2014
Non-executive directors - emoluments	**118**	72
Executive directors - emoluments		
Remuneration as a director	**327**	519
Remuneration as an employee[1]	**412**	-
Total	**857**	591

1. Includes a redundancy payment of £143k paid to a former director of the Bank.

The highest paid director during the year was Margaret Willis, CEO, who was appointed to the Board on 31 July 2015 and received a total remuneration package of £127k in 2015, of which £91k related to remuneration for the period after her appointment to the Board. Executive Director remuneration includes salary, car allowance and pension.

The Board was reshaped in 2015 and a number of Executive Directors left the Board.

The above non-executive directors' fees include £56k paid to directors before PRA approval and before formal appointment to the Board. Independent Non executive Directors receive a fee of £30k per annum for their services and an additional £5k to chair a committee. The Chairman of the Bank receives a fee of £50k per annum.

6 Interest receivable and similar income

	2015	Retated 2014
On financial assets not at fair value through profit or loss		
on loans and advances to customers	**6,441**	6,602
on loans and advances to banks	**2,119**	2,305
on investment securities	**2,122**	667
	10,682	9,574
On financial assets at fair value through profit or loss		
Net income on financial instruments	**175**	295
Total	**10,857**	9,869

7 Interest expense and similar charges

	2015	2014
On financial liabilities not at fair value through profit or loss		
on retail deposits	**1,690**	1,526
on bank and other deposits	**2**	1
Total	**1,692**	1,527

8 Operating expenses

	Note	**2015**	2014
Staff costs	9	**5,122**	4,115
Administrative expenses		**3,617**	3,872
Amortisation of intangible fixed assets	16	**139**	136
Depreciation of property, plant and equipment	17	**150**	117
Operating lease rentals		**400**	390
Movement in provisions for liabilities and charges[1]	21	**248**	(20)
Total		**9,676**	8,610

1. This movement in provisions for liabilities excludes FSCS provisions.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

9 Staff costs

	2015	2014
Wages and salaries	**4,237**	3,244
Social security costs	**389**	321
Pension costs - defined benefit plans	**404**	447
Pension costs - defined contribution plans	**92**	54
Profit share	-	49
Total	**5,122**	4,115

The average number of persons employed by the Bank during the year was made up as follows:

	2015	2014
Full time	**83**	79
Part time	**11**	11
Total	**94**	90

10 Income tax

Tax policy

The company adopted a tax policy on 27 February 2014. A copy is available on our website at http://www.unity.co.uk/taxation. The disclosures made in these financial statements comply with commitments made in that tax policy.

Tax (credit)/ charge	**2015**	Restated 2014
Current tax - current year	**(115)**	6
Current tax - prior year	-	(36)
Deferred tax	**(13)**	31
Total tax (credit)/ charge for the year	**(128)**	1

Further information about deferred income tax is presented in note 22. The tax on the Bank's profit before taxation differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

Tax reconciliation	**2015**	Restated 2014
Profit before taxation	**736**	1,001
Tax calculated at a rate of 20.25% (2014: 21.50%)	**149**	215
Expenses not deductible for tax purposes	**2**	3
Difference between depreciation and capital allowances for period and other timing differences	**(1)**	(1)
Adjustments to tax charge in respect of prior periods	**(29)**	(11)
Community Investment Tax Relief	**(249)**	(205)
Total tax (credit)/ charge for the year	**(128)**	1

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2015 reduced from 21% to 20%. This results in a weighted average rate of 20.25% for 2015 (2014: 21.5%).

The amount of corporation tax payable is lower than would be implied by the current headline tax rate as the Bank has benefitted from

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2015 reduced from 21% to 20%. This results in a weighted average rate of 20.25% for 2015 (2014: 21.50%).

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

The Bank invests in CDFIs because it believes in the benefits they provide to the communities in which they operate. The tax relief it obtains is provided strictly in accordance with UK tax law and has been made available to encourage this activity.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

11 Cash and balances with the Bank of England

	2015	Restated 2014
Cash and balances with the Bank of England	**377,983**	-
Total	**377,983**	-

In December 2014, the Bank received approval from the Bank of England to participate in its Open Market Operations and opened a Bank of England Reserves Account in 2015 to support its liquidity requirements.

Cash and balances with the Bank of England includes cash of £55k held in a mandatory reserve with the Bank of England. This is excluded from cash and cash equivalents within the statement of cash flows.

12 Loans and advances to banks

	2015	Restated 2014
Placements with other banks	**-**	1,125
Other loans and advances to banks	**39,354**	315,121
Total	**39,354**	316,246

Other loans and advances to banks relate to reverse sale and repurchase transactions which are secured by gilts held with Toronto Dominion through Insight Investments.

The 2014 loans and advances to banks included reverse sale and repurchase transactions, held with The Co-operative Bank plc in the normal course of business, secured by UK gilts.

13 Loans and advances to customers

	2015	Restated 2014
Gross loans and advances	**189,829**	176,874
Less: allowance for losses on loans and advances to customers	**(2,589)**	(2,924)
Total	**187,240**	173,950

Movement in allowance for losses on loans and advances:

	2015 Individual	**Collective**	**Total**	2014 Individual	Collective	Total
At 1 January	**(2,306)**	**(618)**	**(2,924)**	(5,740)	(782)	(6,522)
Credit against profits	**205**	**133**	**338**	193	164	357
Amounts written off	**-**	**-**	**-**	3,165	-	3,165
Recoveries	**-**	**-**	**-**	(48)	-	(48)
Unwind of discount of allowance	**(3)**	**-**	**(3)**	124	-	124
At 31 December	**(2,104)**	**(485)**	**(2,589)**	(2,306)	(618)	(2,924)

Concentration of exposure:

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

	2015	Restated 2014
Administrative bodies and non-commercial	**158,441**	135,305
Property (excluding hotels and leisure)	**9,854**	14,337
Hotels & Leisure	**8,851**	12,059
Manufacturing	**10**	11
Other	**12,673**	15,162
	189,829	176,874

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

14 Investment securities

	2015	Restated 2014
Available for sale		
- Unlisted bank and building society certificates of deposit	-	145,119
- Other listed transferable debt securities	277,249	194,096
Total	**277,249**	339,215

Movements during the year are analysed below :

	2015	Restated 2014
At 1 January	339,215	255,252
Fair value adjustment	525	(57)
Acquisitions	233,920	926,987
Disposals and maturities	(296,411)	(842,967)
At 31 December	**277,249**	339,215

15 Derivative financial instruments

Derivative financial instruments are held for risk mitigation purposes. During the financial year, the derivative financial instruments were terminated at a cost of £129k. As at 31 December 2015, there are no derivative assets or derivative liabilities recognised in the Statement of Financial Position.

At 31 December 2014

	Contractual / notional amount	Fair value assets	Fair value liabilities
Derivatives held for non-trading purposes designated as cash flow hedging			
Interest rate swaps	10,000	158	(5)
Derivatives held for non-trading purposes for which hedge accounting has not been applied			
Interest rate swaps	5,000	167	(7)
Total recognised derivative assets / (liabilities) held for non-trading	15,000	325	(12)

16 Intangible assets

Computer Software	2015	2014
Cost		
At 1 January	1,341	1,333
Additions	39	8
At 31 December	**1,380**	1,341
Accumulated Amortisation		
At 1 January	1,014	878
Charge for the year	139	136
At 31 December	**1,153**	1,014
Net book value at 31 December	**227**	327

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

17 Property, plant and equipment

	Equipment & Fittings	Computer Equipment	Total
Cost			
At 1 January 2015	**565**	**1,763**	**2,328**
Additions	**11**	**148**	**159**
Disposals	**-**	**(36)**	**(36)**
At 31 December 2015	**576**	**1,875**	**2,451**
Accumulated Depreciation			
At 1 January 2015	**526**	**1,545**	**2,071**
Charge for the year	**9**	**141**	**150**
Disposals	**-**	**(36)**	**(36)**
At 31 December 2015	**535**	**1,650**	**2,185**
Net book value at 31 December 2015	**41**	**225**	**266**
Cost			
At 1 January 2014	563	1,658	2,221
Additions	2	155	157
Disposals	-	(50)	(50)
At 31 December 2014	565	1,763	2,328
Accumulated Depreciation			
At 1 January 2014	516	1,488	2,004
Charge for the year	10	107	117
Disposals	-	(50)	(50)
At 31 December 2014	526	1,545	2,071
Net book value at 31 December 2014	39	218	257

18 Other assets

	2015	2014
Amounts recoverable within one year:		
Trade debtors	**7**	20
Other assets	**24**	37
Total	**31**	57

19 Prepayments

	2015	2014
Amounts recoverable within one year:		
Other	**556**	543
Total	**556**	543

20 Other liabilities

	2015	Restated 2014
Amounts payable within one year:		
Trade creditors	**355**	266
Other liabilities	**216**	281
Total	**571**	547

All amounts are stated in £000s unless otherwise indicated

21 Provisions for liabilities and charges

	Redundancy	Customer claims	FSCS levy	Total
At 1 January 2015	**-**	**68**	**62**	**130**
Utilised	**-**	**(80)**	**(110)**	**(190)**
Income statement movements:				
Provided in the year	**207**	**44**	**130**	**381**
Released during the year	**-**	**(3)**	**(32)**	**(35)**
At 31 December 2015	**207**	**29**	**50**	**286**
Amounts falling due within one year	**207**	**29**	**50**	**286**
Amounts falling due after one year	**-**	**-**	**-**	**-**
	207	**29**	**50**	**286**
At 1 January 2014	-	89	62	151
Utilised	-	-	(120)	(120)
Income statement movements:				
Provided in the year	-	37	119	156
Released during the year	-	(57)	-	(57)
At 31 December 2014	-	68	62	130
Amounts falling due within one year	-	68	62	130
Amounts falling due after one year	-	-	-	-
	-	68	62	130

Financial Services Compensation Scheme (FSCS)

In common with all regulated UK deposit takers, the Bank pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. The FSCS meets these current claims by way of loans received from HM Treasury. As at 31 December 2015, the Bank held a provision of £50k with respect to the estimated FSCS levy for the period 2015/16. The FSCS provision is expected to be utilised in September 2016.

Customer Claims

A provision is held at 31 December 2015 of £29k to cover claims relating to fraud against customer accounts.

Redundancy

During the financial year, a restructure of the Bank was undertaken. A redundancy provision has been raised for those members of staff who have been informed but not yet left the Bank.

All amounts are stated in £000s unless otherwise indicated

22 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method.

The movement on the deferred tax accounts are as follows:

	2015	2014
At 1 January - net deferred tax	**60**	91
Income statement credit/ (charge)	**13**	(31)
At 31 December - net deferred tax	**73**	60

Net deferred tax comprises:

Deferred tax asset	**73**	60

Deferred taxation

	2015	2014
Other timing differences	**2**	2
Capital allowances on fixed assets	**71**	58
	73	60

The deferred tax credit in the income statement comprises the following temporary differences:

	2015	2014
Capital allowances on fixed assets	**(2)**	(2)
	(2)	(2)

Deferred tax assets are recognised for tax loss carry-forwards only to the extent that realisation of the related tax benefit is probable. We do not expect that deferred tax will give rise to a significant cash flow consequence in the next three years.

After the balance sheet date the Directors proposed a final dividend of £nil (2014: £0.2 million). The dividends have not been provided for and there are no income tax consequences.

There are no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the balance sheet.

The UK corporation tax rate reduced to 21% in 2014 with a further reduction in 2015 to 20%. This will reduce the company's future current tax charge accordingly in the balance sheet.

23 Pensions

The Bank participates in The Co-operative Group Pension Scheme (Pace). The Pace Scheme is a hybrid scheme, consisting of a defined benefit section and a defined contribution section, the assets of which are held in a separate fund administered by trustees. As a Groupwide pension scheme, the defined benefit section of the Pace scheme exposes the participating businesses to actuarial risks associated with the current and former employees of other companies, with the result that there is no consistent and reliable basis for allocating the liabilities, assets and costs to individual companies participating in the Scheme. Therefore, the pension costs shown in these financial statements in respect of the Pace scheme for the period after 6 April 2006 is the actual contributions paid by the Bank.

All amounts are stated in £000s unless otherwise indicated

24 Share capital

	2015	2014
Authorised		
Ordinary shares of £1 each	**20,000**	20,000
	20,000	20,000
Issued:		
Ordinary shares of £1 each	**17,000**	16,429
	17,000	16,429
Share premium account	**3,733**	250
	20,733	16,679

During the year, 3,250,000 of share capital was repurchased by Unity at a price of £1.80 per share. The repurchased shares were subsequently cancelled. The cancellation of existing share capital resulted in the creation of a capital redemption reserve of £3.3 million.

A further 3,821,000 of ordinary share capital was issued in December 2015 at a price of £2.00 per share. This share issuance resulted in a gross increase in share premium of £3.8 million. As part of the capital raising the Bank incurred transaction costs of £0.3 million. These costs were offset against the gross share premium amount, giving a net increase in capital of £7.3 million, of which £3.5 million was recorded as share premium.

New Articles of Association redesignate all shares into a single class, all ranking pari passu, and remove the different rights of the old classes.

All issued share capital is allotted and fully paid.

25 Contingent liabilities and commitments

The tables below show the nominal principal amounts, credit equivalent amounts and risk weighted amounts of contingent liabilities and commitments. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The credit equivalent has been calculated in accordance with the PRA guidelines implementing the Capital Requirements Directive (CRD).

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

	2015		2014	
	Contract amount	**Credit equivalent amount**	Contract amount	Credit equivalent amount
Guarantees and irrevocable letters of credit	**171**	**86**	215	108
	171	**86**	215	108
Other commitments:				
Undrawn formal standby facilities, credit lines and other commitments to lend:				
-1 year and over	**26,994**	**-**	44,119	-
	26,994	**-**	44,119	-

Commitments under Operating leases

	2015		2014	
	Land and buildings	**Other leases**	Land and buildings	Other leases
At the year end, total commitments under non-cancellable operating leases were payable as follows:				
Expiring:				
-within one year	**27**	**27**	59	16
-between one and five years	**1,204**	**17**	-	27
-in five years or more	**-**	**-**	-	-
	1,231	**44**	59	43

Operating lease rental payments are disclosed in note 8.

The lease commitments refer to the Bank's offices at 9, Brindleyplace, Birmingham, which were renewed in the year and expire in 2020.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

25 Contingent liabilities and commitments (continued)

Pensions

The Pace scheme is not sectionalised and operates on a 'last man standing' basis. In the event that other participating employers become insolvent and the full statutory debt is not recovered on insolvency, the Bank would become liable for a share of the remaining liabilities.

Other pensions risks and uncertainties include the risk to the Bank's capital and funds from the Bank's exposure to scheme liabilities (to the extent liabilities are not met by scheme assets), risks inherent in the valuation of scheme liabilities and assets, and risks regarding the split of liabilities between the Bank and other participating employers while the Bank continues to participate in Pace.

26 Related party transactions

Up until December 2015, The Co-operative Bank plc owned 26.7% of the shares, via its subsidiary Co-operative Commercial Limited, and Unity was consolidated on the basis of control.

In December 2015, Unity Trust Bank plc repurchased 20% of the 26.7% shareholding held by The Co-operative Bank plc. As a result of this transaction and subsequent changes to articles of association, Unity is no longer considered a subsidiary undertaking of The Co-operative Bank plc.

The Bank has a related party relationship with its directors and executive officers. The remuneration of the directors who are the key management personnel of the company is set out below in aggregate for each of the relevant categories specified in IAS 24 Related Party Disclosures.

Key management compensation

	2015	2014
Salaries and other short term benefits	**872**	519
Post employment benefits	**120**	70
	992	589

In 2014, all the Executive team sat on the Board. The 2015 numbers include salaries for the Executive team regardless of whether they sit on the Board.

27 Country by country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions within the scope of the Capital Requirements Directive (CRD IV). All of the activities of the Bank are conducted in the United Kingdom and therefore 100% of turnover (defined as total income), profit before tax and paid tax shown in the Statement of cash flows as well as employee figures disclosed in note 9 are related to the United Kingdom. The Bank has not received any public subsidies.

All amounts are stated in £000s unless otherwise indicated

28 Capital management

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

Regulatory capital

Regulatory capital stood at £49.4 million (2014 restated: £47.9 million), in excess of the minimum required by the Prudential Regulation Authority.

Regulatory capital analysis	**2015**	Restated 2014
Tier 1		
Share capital	**17,000**	16,429
Share premium account	**3,733**	250
Capital redemption reserve	**3,250**	-
Retained earnings	**24,773**	30,787
Less: AFS Reserve	**360**	(59)
Less : other intangible assets	**(227)**	(327)
Total Tier 1 capital	**48,889**	47,080
Tier 2		
Collective provisions	**485**	782
Total Tier 2 Capital	**485**	782
Total Tier 1 & Tier 2 Capital	**49,374**	47,862
Total regulatory capital	**49,374**	47,862
Common Equity Tier 1 ratio	**26.5%**	23.2%

In December 2015, the Bank repurchased share capital from Co-operative Commercial limited, a subsidiary of The Co-operative Bank plc, and raised additional capital.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities

The fair value represents the amount at which the instrument would be exchanged in an arm's length transaction between two willing parties. In the vast majority of cases, quoted market prices are readily available and are used, otherwise prices are obtained by using well established valuation techniques, which utilise present cash flows. The fair value will approximate to the carrying value when instruments are carried in the balance sheet at market value or where the instruments are short term or contain frequent repricing provisions. At 31 December 2015 and 31 December 2014 the book value of the Bank's financial instruments, including derivative financial instruments, that have an active and liquid market were equivalent to the fair value of those instruments.

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

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:
- level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Debt securities, wholesale market loans and deposits
Debt securities are held as available for sale assets and are non-traded investment securities. Wholesale market loans secured by UK gilts (reverse repos) are held as the Bank’s Liquidity Asset Buffer and together with debt securities underpin the Bank’s liquidity requirements and generate incremental net interest income.

Cash and loans to banks
In 2014, the loans and advances to banks includes reverse sale and repurchase transactions held with The Co-operative Bank, secured by UK gilts. During 2015, this cash is held in a Bank of England reserve account and categorised in cash and balances at central banks.

Classification of financial instruments and fair values

	Loans and receivables	Available for sale	Fair value through equity	Fair value through profit & loss	Total carrying value	Fair value	Fair value heirarchy tier
31 December 2015							
Assets							
Financial instruments measured at fair value							
Investment securities	-	277,249	-	-	277,249	277,249	Level 2
Derivative financial instruments	-	-	-	-	-	-	Level 2
Financial instruments not measured at fair value							
Cash and balances with the Bank of England	377,983	-	-	-	377,983	377,983	Level 1
Loans and advances to bank	39,354	-	-	-	39,354	39,354	Level 3
Loans and advances to customers	187,240	-	-	-	187,240	184,361	Level 3
	604,577	277,249	-	-	881,826	878,947	
Liabilities							
Deposits from customers	831,680	-	-	-	831,680	831,680	Level 2
	831,680	-	-	-	831,680	831,680	

In August 2015, the Bank sold its derivative financial instruments, realising a loss of £129k in the Income Statement.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

Classification of financial instruments and fair values (continued)

	Loans and receivables	Available for sale	Fair value through equity	Fair value through profit & loss	Total carrying value	Fair value	Fair value heirarchy tier
31 December 2014 (restated)							
Assets							
Financial instruments measured at fair value							
Investment securities	-	339,215	-	-	339,215	339,215	Level 2
Derivative financial instruments	-	-	113	212	325	325	Level 2
Financial instruments not measured at fair value							
Cash and balances at central banks or Bank of England	-	-	-	-	-	-	Level 1
Loans and advances to bank	316,246	-	-	-	316,246	316,246	Level 3
Loans and advances to customers	173,950	-	-	-	173,950	170,208	Level 3
	490,196	339,215	113	212	829,736	825,994	
Liabilities							
Deposits from customers	782,761	-	-	-	782,761	782,761	Level 2
	782,761	-	-	-	782,761	782,761	

- *Loans and advances to bank*

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

- *Loans and advances to customers*

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

- *Investment securities available for sale*

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

- *Customer deposits*

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

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

Credit Risk

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

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

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

The Bank’s Corporate Sector Policy is to maintain a broad sectoral spread of exposures which reflect the Bank’s areas of expertise. Credit exposures to corporate and business banking customers are assessed individually. The quality of the overall portfolio is monitored, using a credit grading system calibrated to expected loss. All aspects of credit management are controlled centrally. The Audit and Risk Committee receives regular reports on new facilities and changes in facilities, sector exposures, bad debt provisions and the realisation of problem loans.

Credit policy for wholesale market counterparties involves establishing limits for each of these counterparties based on their financial strength and credit rating.

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

Credit Exposure

	2015			Restated 2014		
	Gross balance	**Credit commitments**	**Credit risk exposure**	Gross balance	Credit commitments	Credit risk exposure
Cash and balances at central banks	**377,983**	**-**	**377,983**	-	-	-
Loans and advances to banks	**39,354**	**-**	**39,354**	316,246	-	316,246
Loans and advances to customers	**187,240**	**27,165**	**214,405**	173,950	44,334	218,284
Investment securities - available for sale	**277,249**	**-**	**277,249**	339,215	-	339,215
Derivative financial instruments						
- Designated at fair value	**-**	**-**	**-**	-	-	-
- Cash flow Hedged	**-**	**-**	**-**	325	-	325
	881,826	**27,165**	**908,991**	829,736	44,334	874,070
Allowance for impairment losses on loans and advances			**(2,589)**			(2,924)
Carrying amount Carrying amount			**906,402**			871,146

The Group's concentration exposure is outlined in note 13.

Credit risk analysis

31 December 2015

	Loans and advances to banks	**Loans and advances to customers**	**Investment securities**	**Derivative financial instruments**	**Total**
Individually impaired					
90 days past due or evidence of impairment	**-**	**3,026**	**-**	**-**	**3,026**
Carrying amount	**-**	**3,026**	**-**	**-**	**3,026**
Collectively impaired					
Less than 90 days past due	**-**	**14,768**	**-**	**-**	**14,768**
Carrying amount	**-**	**14,768**	**-**	**-**	**14,768**
Past due but not impaired					
0-30	**-**	**594**	**-**	**-**	**594**
Carrying amount	**-**	**594**	**-**	**-**	**594**
Neither past due or impaired					
Grade A-D (performing)	**39,354**	**171,441**	**277,249**	**-**	**488,044**
Grade E (Watchlist - performing)[1]	**-**	**-**	**-**	**-**	**-**
Grade F-H (Default non-performing)[1]	**-**	**-**	**-**	**-**	**-**
Carrying amount	**39,354**	**171,441**	**277,249**	**-**	**488,044**
Allowance for impairment losses on loans and advances	**-**	**(2,589)**	**-**	**-**	**(2,589)**
Total carrying amount	**39,354**	**187,240**	**277,249**	**-**	**503,843**

1. All loans classified as Grade E and F-H are included within the impaired or past due but not impaired buckets.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

31 December 2014 (restated)

	Loans and advances to banks	Loans and advances to customers	Investment securities	Derivative financial instruments	Total
Individually impaired					
90 days past due or evidence of impairment	-	3,331	-	-	3,331
Carrying amount	-	3,331	-	-	3,331
Collectively impaired					
Less than 90 days past due	-	7,231	-	-	7,231
Carrying amount	-	7,231	-	-	7,231
Past due but not impaired					
0-30	-	807	-	-	807
Carrying amount	-	807	-	-	807
Neither past due or impaired					
Grade A-D (performing)	316,246	150,070	339,215	325	805,856
Grade E (Watchlist - performing)	-	15,435	-	-	15,435
Grade F-H (Default non-performing)	-	-	-	-	-
Carrying amount	316,246	165,505	339,215	325	821,291
Allowance for impairment losses on loans and advances	-	(2,924)	-	-	(2,924)
Total carrying amount	316,246	173,950	339,215	325	829,736

Loans and advances to customers

Impairment definition

On an on-going basis the Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. 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.

The criteria that the Bank uses to determine that there is objective evidence of impairment loss include, but are not limited to, the following:

- an instalment on a loan account is overdue, or has been in excess of its limit (or is overdrawn without an agreed limit) for 90 days or more;
- if, as a result of lending being (either now or previously) at risk in distress, the Bank has agreed to a material postponement or forgiveness of interest and/or 'soft' rates or to a waiver and/or reduction of normal fees and charges, the accounts must be considered impaired while such favourable terms are being applied;
- there has been a full or partial write off of debt, following which the account must remain impaired for at least six months;
- there has been an event likely to result in insolvency which may involve bankruptcy, or the appointment of an administrative receiver, liquidator or administrator;
- if the Bank considers that at some point (normally taken as within the next 12 months) actions such as an issue of formal demand will be
- required in order to achieve full repayment; or
- lack of an active market for the asset.

Once a loan is defined as impaired, the provision will be calculated as the difference between the current carrying value of the asset and the expected future recovery, discounted at the loan's effective interest rate.

Past due but not impaired

Loans and securities are considered past due but not impaired where the contractual interest or principal payment are in arrears, but the Bank believes that the trigger point for impairment has not been reached.

Notes to the Financial Statements continued

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

Collateral

Eligible financial collateral comprises gilts held as part of reverse repo agreements.

Any shortfall of security for an exposure is generally regarded as unsecured and assessment includes this element of residual risk.

As at 31 December 2015 £14.8 million (2014: £16.7 million) within loans and advances was unsecured.

At the reporting date, the fair value of collateral held as security against individually impaired assets was £1.3 million (2014: £1.4 million).

At the reporting date the fair value of collateral held as security against loans and advances to customers that are past due but not impaired was £1.4 million (2014: £0.8 million).

Geographical concentration

At 31st December 2015, the majority of the Bank's exposures were to UK and European countries. The Bank also had £70 million of exposures to non European countries as follows; Canada £40 million, Australia £15 million, Philippines (Asian Development Bank) £6 million and USA (Inter- American Development Bank) £9 million.

Country	**Repayable within 30 days**	**Repayable within 1 year but more than 30 days**	**Repayable in over 1 year**	**Credit risk mitigation**	**Total exposure 31 December 2015**
Finland	**-**	**15,008**	**-**	**-**	**15,008**
France	**-**	**-**	**-**	**-**	**-**
Luxembourg	**-**	**-**	**-**	**-**	**-**
Netherlands	**-**	**10,022**	**-**	**-**	**10,022**
Norway	**-**	**-**	**-**	**-**	**-**
Sweden	**-**	**-**	**-**	**-**	**-**
	-	**25,030**	**-**	**-**	**25,030**

The Bank has exposures to financial institutions in the following European countries at 31 December 2014:

Country	Repayable within 30 days	Repayable within 1 year but more than 30 days	Repayable in over 1 year	Credit risk mitigation	Total exposure 31 December 2014
Finland	-	23,909	15,008	-	38,917
France	20,018	20,012	-	-	40,030
Luxembourg	-	20,015	-	-	20,015
Netherlands	-	20,008	-	-	20,008
Norway	-	20,012	-	-	20,012
Sweden	10,010	30,020	-	-	40,030
	30,028	133,976	15,008	-	179,012

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

Interest rate risk

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

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

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

31 December 2015

	Within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year	Over 1 year but within 5 years	More than 5 years	Non-interest bearing	Total
Assets							
Cash and balances with the Bank of England	**377,983**	**-**	**-**	**-**	**-**	**-**	**377,983**
Loans and advances to banks	**39,354**	**-**	**-**	**-**	**-**	**-**	**39,354**
Loans and advances to customers	**182,725**	**-**	**-**	**906**	**6,198**	**(2,589)**	**187,240**
Investment securities - available for sale	**129,441**	**20,030**	**10,053**	**117,725**	**-**	**-**	**277,249**
Other assets	**-**	**-**	**-**	**-**	**-**	**1,244**	**1,244**
Total assets	**729,503**	**20,030**	**10,053**	**118,631**	**6,198**	**(1,345)**	**883,070**
Liabilities							
Customer accounts	**831,680**	**-**	**-**	**-**	**-**	**-**	**831,680**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**1,410**	**1,410**
Total equity	**-**	**-**	**-**	**-**	**-**	**49,980**	**49,980**
Total liabilities and equity	**831,680**	**-**	**-**	**-**	**-**	**51,390**	**883,070**
Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	
Interest rate sensitivity gap	**(102,177)**	**20,030**	**10,053**	**118,631**	**6,198**	**(52,735)**	
Cumulative gap	**(102,177)**	**(82,147)**	**(72,094)**	**46,537**	**52,735**	**-**	

31 December 2014 (restated)

	Within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year	Over 1 year but within 5 years	More than 5 years	Non-interest bearing	Total
Assets							
Cash and balances with the Bank of England	-	-	-	-	-	-	-
Loans and advances to banks	316,246	-	-	-	-	-	316,246
Loans and advances to customers	154,134	-	3,011	9,194	10,535	(2,924)	173,950
Investment securities - available for sale	295,069	-	28,590	15,556	-	-	339,215
Other assets	-	-	-	-	-	2,318	2,318
Total assets	765,449	-	31,601	24,750	10,535	(606)	831,729
Liabilities							
Customer accounts	782,761	-	-	-	-	-	782,761
Other liabilities	-	-	-	-	-	1,531	1,531
Total equity	-	-	-	-	-	47,437	47,437
Total liabilities and equity	782,761	-	-	-	-	48,968	831,729
Derivatives	(15,000)	-	10,000	5,000	-	-	
Interest rate sensitivity gap	(32,312)	-	41,601	29,750	10,535	(49,574)	
Cumulative gap	(32,312)	(32,312)	9,289	39,039	49,574	-	

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

Liquidity Gap

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

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

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

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

31 December 2015

	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Non cash items	Total
Assets							
Cash and balances at central banks	**377,983**	**-**	**-**	**-**	**-**	**-**	**377,983**
Loans and advances to banks	**4,166**	**35,188**	**-**	**-**	**-**	**-**	**39,354**
Loans and advances to customers	**1,031**	**1,042**	**11,855**	**77,116**	**96,196**	**-**	**187,240**
Investment securities- available for sale	**-**	**15,005**	**45,112**	**217,132**	**-**	**-**	**277,249**
Other assets	**-**	**-**	**-**	**-**	**-**	**1,244**	**1,244**
Total assets	**383,180**	**51,235**	**56,967**	**294,248**	**96,196**	**1,244**	**883,070**
Liabilities							
Customer accounts	**677,228**	**154,452**	**-**	**-**	**-**	**-**	**831,680**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**51,390**	**51,390**
Total liabilities and equity	**677,228**	**154,452**	**-**	**-**	**-**	**51,390**	**883,070**
Net liquidity gap on contractual basis	**(294,048)**	**(103,217)**	**56,967**	**294,248**	**96,196**	**(50,146)**	**-**

31 December 2014 (restated)

	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Non cash items	Total
Assets							
Cash and balances at central banks	-	-	-	-	-	-	-
Loans and advances to banks	1,263	314,983	-	-	-	-	316,246
Loans and advances to customers	3,347	3,373	11,336	83,258	72,636	-	173,950
Investment securities- available for sale	-	217,477	68,694	53,044	-	-	339,215
Other assets	-	-	-	-	-	2,318	2,318
Total assets	4,610	535,833	80,030	136,302	72,636	2,318	831,729
Liabilities							
Customer accounts	639,335	143,426	-	-	-	-	782,761
Other liabilities	-	-	-	-	-	48,968	48,968
Total liabilities and equity	639,335	143,426	-	-	-	48,968	831,729
Net liquidity gap on contractual basis	(634,725)	392,407	80,030	136,302	72,636	(46,650)	-

All amounts are stated in £000s unless otherwise indicated

29 Fair values of financial assets and liabilities (continued)

Gross expected cashflow maturity analysis - contractual

31 December 2015

	Carrying value	Gross nominal outflow	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Non Derivative liabilities							
Deposits from customers	**831,680**	**831,738**	**738,523**	**93,215**	**-**	**-**	**-**
Other liabilities	**1,410**	**1,410**	**1,410**	**-**	**-**	**-**	**-**
	833,090	**833,148**	**739,933**	**93,215**	**-**	**-**	**-**
Derivative Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total recognised liabilities	**833,090**	**833,148**	**739,933**	**93,215**	**-**	**-**	**-**
Unrecognised loan commitments	**26,994**	**26,994**	**26,994**	**-**	**-**	**-**	**-**
Total	**860,084**	**860,142**	**766,927**	**93,215**	**-**	**-**	**-**

31 December 2014 (restated)

	Carrying value	Gross nominal outflow	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Non Derivative liabilities							
Deposits from customers	782,761	782,761	729,145	53,616	-	-	-
Other liabilities	1,519	1,519	1,519	-	-	-	-
	784,280	**784,280**	**730,664**	**53,616**	**-**	**-**	**-**
Derivative Liabilities	12	12	12	-	-	-	-
Total recognised liabilities	**784,292**	**784,292**	**730,676**	**53,616**	**-**	**-**	**-**
Unrecognised loan commitments	44,119	44,119	44,119	-	-	-	-
Total	**828,411**	**828,411**	**774,795**	**53,616**	**-**	**-**	**-**

30 Post balance sheet events

Since the year end 1,675,000 ordinary shares were issued at the price of £2 per share. This has increased share capital by £1.7 million and share premium by £1.7 million, gross of costs. As a result, the Core Equity Tier 1 ratio has increased to 28.3%, on a proforma basis.

Glossary

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

Unity or The Bank	Unity Trust Bank plc
ALCO	Asset and Liability Committee
CDFI	Community Development Finance Institutions
CITR	Community Investment Tax Relief
CRD IV	Capital Requirements Directive (Directive 2013/36 EU)
FCA	Financial Conduct Authority
ILAA	Individual Liquidity Adequacy Assessment
PRA	Prudential Regulation Authority

Registered Office:
Unity Trust Bank plc
Nine Brindleyplace, Birmingham, B1 2HB
T. 0345 140 1000
F. 0345 113 0003
www.unity.co.uk